

Business Conditions

March-April, 1920

PEACE TREATY—

Late developments in the American situation; viewpoints from abroad reflecting world's attitude toward the pact.

POLITICAL—

Facts and reports from official and authoritative sources, showing American and foreign position as to matters bearing on conditions under which business is done.

CROPS—

Expectations for 1920 production, condition and comparisons with other periods.

COMMERCIAL—

Record of American enterprise in many directions; outlook; accomplishments and proposed plans of foreign competitors.

MONEY—

The financial outlook today, at home and abroad.

RAILROADS—

Facts and figures bearing on return to private operation, as affected by financial, labor and general business factors.

LABOR—

Conditions in the field of Labor.

MARKET—

Comment on present status and trend.

MARKET CONDITIONS—

Compact tabulation of principal factors affecting business conditions, either favorably or unfavorably.

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BUSINESS CONDITIONS

March-April, 1920

Compliments of
American Eagle Fire Insurance Co.

ANNUAL STATEMENT
January 1st, 1920

Gross Assets	\$3,878,089.18
Total Liabilities	1,817,356.65
Cash Capital	1,060,000.00
Net Surplus	1,060,722.53
POLICYHOLDERS' SURPLUS	2,060,722.53

The Continental Insurance Company

67th ANNUAL STATEMENT
January 1st, 1920

Gross Assets	\$39,624,376.24
Total Liabilities	18,259,551.95
Cash Capital	10,000,000.00
Net Surplus	11,364,824.29
POLICYHOLDERS' SURPLUS	21,364,824.29

Fidelity-Phenix Fire Insurance Co.

ANNUAL STATEMENT
January 1st, 1920

Gross Assets	\$25,816,261.92
Total Liabilities	16,045,427.90
Cash Capital	2,500,000.00
Net Surplus	7,270,834.02
POLICYHOLDERS' SURPLUS	9,770,834.02

HENRY EVANS, President

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New York

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We take pleasure in handing you this booklet, being an analysis of "Business Conditions" as compiled monthly by our Financial and Statistical Department.

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BUSINESS CONDITIONS

March-April, 1920

Peace Treaty

In a letter to Senator Hitchcock (Neb.), acting Democratic leader, President Wilson made it clear that he approves none of the important treaty reservations, mild or strong, advanced by Senator Lodge (Mass.) Republican leader, and indorsed by all the Republicans and a considerable number of Democrats.

The President's letter reads in part:

"Article X. as written into the treaty of Versailles represents the renunciation by Great Britain and Japan, which before the war had begun to find so many interests in common in the Pacific; by France, by Italy—by all the great fighting Powers of the world—of the old pretensions of political conquest and territorial aggrandizement. It is a new doctrine in the world's affairs and must be recognized, or there is no secure basis for the peace which the whole world so longingly desires and so desperately needs. If Article X. is not adopted and acted upon the Governments which reject it will, I think, be guilty of bad faith to their people, whom they induced to make the infinite sacrifices of the war by the pledge that they would be fighting to redeem the world from the old order of force and aggressions.

"If we were to reject Article X. or so weaken it as to take its full force out of it, it would mark us as desiring to return to the old world of jealous rivalry and misunderstandings and would leave us without any vision or new conception of justice and peace.

"If America has awakened, as the rest of the world has, to the vision of a new day in which the mistakes of the past are to be corrected, it will welcome the opportunity to share the responsibilities of Article X.

"Throughout the sessions of the conference in Paris it was evident that a militaristic party, under the most influential leadership, was seeking to gain ascendancy in the counsels of France. They were defeated then, but are in control now. The chief arguments advanced in Paris in support of the Italian claims on the Adriatic were strategic arguments, that is to say, military arguments, which had at their back the thought of naval supremacy in that sea. For my own part, I am as intolerant of imperialistic designs in the part of other nations as I was of such designs on the part of Germany.

"Either we should enter the league, fearlessly, accepting the responsibility and not fearing the role of leadership which we now enjoy, contributing our efforts toward establishing a

just and permanent peace, or we should retire as gracefully as possible from the great concert of Powers by which the world was saved.

"I have given a great deal of thought to the whole matter of reservations proposed in connection with the ratification of the treaty, and particularly that portion of the treaty which contains the covenant of the League of Nations, and I have been struck by the fact that practically every so-called reservation was in effect a rather sweeping nullification of the terms of the treaty itself."

* * *

GUARANTEES AGAINST AGGRESSION

Summary of Original Text

"Article X. The members of the League undertake to respect and preserve as against external aggression the territorial integrity and existing political independence of all members of the League. In case of any such aggression or in case of any threat or danger of such aggression, the Council shall advise you upon the means by which this obligation shall be fulfilled."

The text of the Lodge reservation to Article X. as adopted at the last session reads:

"The United States assumes no obligation to preserve the territorial integrity or political independence of any other country, or to interfere in controversies between nations—whether members of the league or not—under the provisions of Article X., or to employ the military or naval forces of the United States under any article of the treaty for any purpose, unless in any particular case the Congress, which under the Constitution has the sole power to declare war or authorize the employment of military or naval forces of the United States, shall by act or joint resolution so provide."

* * *

Austin Harrison, economist and author, says:

Europe is sinking like a man with creeping paralysis. Not a country east of the Rhine is able to buy, their credit is exhausted, it is a deadlock. It is because the treaty will not work; every banker in the country knows this; its economics are wrong, the mechanism of credit has collapsed. Until it has been righted the position will go from bad to worse; we shall inflame into self-combustion.

The treaty must be revised to allow the world's economic mechanism to function; otherwise we shall be caught in the crash inevitable to a Europe that cannot buy or sell. If we want money out of Germany we must permit her to trade, but to sell she must first buy, and she cannot. Like the rest, she has no credit. There will be no indemnity that way, not a penny.

What we have done has been to deprive Germany of raw material and coal to such an extent that she is deindustrialized. Austria actually is starving; Poland is bankrupt; Italy is in terrible straits; France starts a loan to balance her budget; all this because Europe has been regrouped strategically, one part holding down the major half on paper money.

Europe's only chance is the production of a real peace or death, and the 80,000,000 Germans and Austrians are the differential of life or chaos. We cannot afford to pay for a militarized Europe; that is an economic truth. We cannot regroup Europe on the balance of power system and think

that credit and trade will happen. The treaty as it stands cuts all our throats; we should revise it immediately on these three principles:

First, what is German is to remain German; second, an indemnity fixed on capacity of payment, which probably will be £2,000,000,000 (about \$10,000,000,000); third, Europe should be regarded as an economic unit, not as the cockpit of war.

Unless we make a clean, sensible treaty we shall bankrupt ourselves to maintain Europe in bankruptcy. What the treaty does is to devitalize Europe to the level of half-starved peoples anxious to seize one another by the throat. These we have to finance. If we withdrew our financing these people would collapse. That is the position; no credit, no trade and chaos.

Our choice is twofold. A healthy Europe or Napoleonic insolvency; prosperity, warmth and life or blood and taxes and revolution.

* * *

The Supreme Council has issued a memorandum on world economic conditions. Its conclusions are as follows:

Firstly—It is of paramount importance that peace conditions should be fully and completely restored at the earliest possible moment throughout the world. To achieve this object it is desirable (1) that peace and normal economic relations should be re-established at the earliest moment possible throughout eastern Europe; (2) that armies everywhere should be reduced to a peace footing, that armaments should be limited to the lowest possible figure compatible with national security and that the League of Nations should be invited to consider as soon as possible proposals to this end; (3) that States which have been created or enlarged as a result of the war should immediately re-establish full and friendly co-operation and arrange for unrestricted interchange of commodities, in order that the essential unity of European economic life may not be impaired by the erection of artificial economic barriers.

Secondly—Not only the Government of each country, but all those engaged in the task of production in every land should give immediate attention to the execution of all measures which will contribute to the full resumption of peaceful industry; to the encouragement of a better output on the part of the workers in every country, to the improvement of machinery and means of transportation and the removal of such disturbing factors as profiteering.

Thirdly—Each Government should immediately consider means for urging upon its nationals in every rank of life the vital necessity of suppressing extravagance and reducing expenditure.

Fourthly—It is essential that early steps be taken to secure the deflation of credit and currency—(1) by the reduction of recurrent Government expenditure within the limits of the revenue; (2) by the imposition of such additional taxation as is necessary to secure this result; (3) by the funding of short term obligations by means of loans subscribed out of the people's savings; (4) by the immediate limitation and gradual curtailment of note circulation.

Fifthly—Provisions for raw materials being essential to the restoration of industry, means should be found whereby the countries which are in the present conditions of international exchange unable to purchase in the world markets, and so are unable to restart their economic life, can obtain commercial credits.

Sixthly—The powers represented at the conference recognize the necessity for continued co-operation between the Allies

and for removing obstacles to the easy interchange of essential commodities.

Seventhly—The powers represented at the conference have given careful attention to the special case of the devastated regions, and more particularly of Northern France. The restoration of these areas is of primary importance for the establishment of the economic equilibrium of Europe and the resumption of normal trade conditions. The council recognize that the capital sums required for this restoration may properly be raised by market loans, in anticipation of the reparation payments provided for by the treaty, and that the restrictions which they desire to see placed on new borrowing do not apply to loans and credits raised for the purpose of meeting this abnormal capital expenditure.

Eighthly—The powers represented at the conference have taken under consideration article 235 and cognate articles of the treaty of Versailles and passages in the letter addressed June 16, 1919, by the Supreme Council to the peace delegates which contemplate that Germany shall make proposals for fixing the total of the payments to be made by her by way of reparation, and that facilities may be given her to obtain necessary foodstuffs and raw material in advance of the payments being made by way of reparation.

The powers are agreed that it is desirable in the interest alike of Germany and her creditors that the total to be paid by her for reparation should be fixed at an early date.

Political

Representative Fess, chairman Republican Congressional Committee, introduced resolution February 18 proposing to have Supreme Court determine the ability of a President to discharge his duties, whenever authorized by a concurrent resolution of Congress. If Congress was not sitting when emergency arose, Vice-President would be authorized to call special session. Virtually the same procedure was outlined in bill introduced by Representative Rogers (R) and referred to Judiciary Committee along with Fess resolution.

* * *

Bainbridge Colby has been nominated for Secretary of State by President Wilson. Mr. Colby is from New York and has been prominently identified with state and national politics. He was a leader of the Progressive Party under Colonel Roosevelt. During the war Mr. Colby was a director of the Emergency Fleet Corp. He is a lawyer by profession.

* * *

Rear-Admiral W. S. Benson has been selected by President Wilson to succeed Chairman John Barton Payne on the Shipping Board.

* * *

President Wilson, February 27, nominated Postmaster General Burleson, Rear-Admiral William S. Benson, retired, and Walter S. Rogers of La Grange, Ill., to be

the American members of International Conference on Communications, soon to be held in Washington.

* * *

Gov. Frank O. Lowden, of Illinois, declared that the future safety of the United States lies in a more general assertion of state's rights and the unquestionable compliance with all provisions of the federal Constitution.

We are depending too much on the government at Washington. That is a dangerous tendency.

The towns, cities and states are becoming less and less reliant. Many of the functions of Government which a quarter of a century ago were controlled by the communities without question, now have been turned over to the federal government. That means that the community is decaying.

Today when any great trouble arises the community makes an appeal for outside aid and force from without is sent in to maintain order. Multiply those instances by a sufficient number of communities and you have a country ruled by soldiers and you can't govern a country by military force alone.

Today there is hardly an activity of the state but which is in partnership with the federal government.

Take for instance the Health Service: the federal government all but controls the activities of all health departments even now, and there's the educational department and every other activity. Even in the matter of labor the federal employment agencies stand side by side with the state agencies.

We've got to get back our individuality. Illinois must govern Illinois and you of Missouri must govern Missouri if we are to face the future without fear.

* * *

Speaker Gillett of the House at Springfield, Mass., sounded warning against industrial unrest, false prosperity and financial inflation. He described Europe as inefficient, idle, disorganized, torn by internal strife and international hate, fighting, pillaging and starving and Russia he pictured as demoralized if not ruined. Germany, unless it could buy raw materials to start its great industries, must relapse into helplessness and penury, yet it had no credit. Austria's condition was worse, and France was in a precarious condition. He feared a terrible impending financial crisis there, with Italy in no better condition.

* * *

Senate adopted the Underwood resolution to create a Commission to negotiate with Canada regarding modification of embargoes on wood pulp and print paper.

* * *

Senate Post-Office Committee, February 24, ordered favorable report on annual Post-Office Appropriation bill with an amendment providing for a one-cent drop letter rate.

* * *

The aviation subcommittee of the House War Department expenditures committee declared in its final report:

The War Department spent \$1,051,000,000 for aviation during the nineteen months of the war, with the result that only

213 American-made planes, these all of the H-4 observation type, reached the front.

The total number of planes with the American forces at the time of the Armistice was 740, including 527 bought from the Allies, emphasizing that no American-built combat, pursuit or bombing planes ever reached the front.

Facilities among the American air forces were comparatively higher than of any other power; inferior planes and insufficient training was responsible.

The statistics show that in proportion to the number engaged, five times as many American fliers were killed as compared killed for every 1,031 hours flown, one Belgian for 930 and one American for 337 hours.

* * *

Government loss during two years of railroad operation \$605,000,000; 1919, \$390,000,000; 1918, \$215,000,000.

* * *

Wholesale looting of merchandise in transit upon the railroads of the United States caused a loss of approximately \$45,000,000 in 1919, according to United States Railroad Administration statistics. This is estimated to be more than double the losses in any pre-war year.

* * *

Prohibition enforcement will cost \$50,000,000 a year, Senator Warren of Wyoming estimates. New warehouses, he says, will have to be built where liquor can be guarded better than at present ones.

* * *

Demobilization of Government employes has not followed the armistice. On the day when the armistice was signed the number of federal employes at Washington was 117,000, having risen from 37,000, the number when the United States went into war. By July 1, 1919, the number had been reduced to 102,126, but it has since insisted upon going up gradually.—*Nation's Business*.

* * *

War cost United States \$37,000,000,000 of which \$10,000,000,000 represented loans to Allies, according to Secretary Baker. More than a billion dollars will be saved by sales of materials intended for 1919 campaign. Total war cost exceeds expenses of Federal Government from its inception.

* * *

House adopted rule referring all bills dealing with soldiers' bonuses to Ways and Means Committee with instructions to report measure covering monetary and land bonuses to soldiers. Agitation for soldiers' bonuses by American Legion is so strong that members of Congress believe it will force enactment before recess for national conventions. It is estimated payment of

bonuses will require \$2,000,000,000, which can only be obtained by loan.

* * *

Mr. Franklin D'Olier, National Commander of the American Legion, makes the following statement:

In accordance with the decision of the National Executive Committee of the American Legion at its recent meeting in Indianapolis the National Legislative Committee was instructed to proceed actively and aggressively with the necessary and proper action to secure for all ex-service men and women an adjustment of war service compensation.

It was the sense of the Executive Committee that all ex-service men and women are entitled to adjust compensation in the form and amount of a \$50 bond per month of service, and that it was the Committee's duty, therefore, to state its views in definite and positive forms.

It was the view of the delegates of more than a million ex-service men and women at the American Legion's national convention in Minneapolis that the Government owed this obligation to all ex-service men, to relieve the financial disadvantages incidental to their military service.

The American soldier is not seeking pay for his patriotism. Nothing can recompense him for the sacrifices he made. The American Legion believes, however, that it is possible to relieve him of the financial disadvantages which his war service entailed. We believe that the American people will support Congressional action looking toward such relief and we do not believe that, regardless of the merits of retrenchment at this time, economy should be secured at the expense of the ex-service man.

Savings bank deposits in the last few years have increased on the average of \$400 per capita. The Government saw fit to grant to Government clerks a bonus for war service rendered in the safety of the National Capitol. Workmen safely ensconced in shipyards and munition plants were rewarded for their war service by exceptionally high wages.

The American Legion is not seeking a bonus. The American soldier does not want a bonus. He does not want a reward for the performance of his duty as a citizen, the very performance of which will always be for him a source of the greatest personal satisfaction.

And we firmly believe that when the ex-service man's position with respect to adjusted compensation is understood by the American people they will want to play fair with him through their representatives in Congress.

* * *

Republican Leader Mondell of Wyoming told the House Ways and Means Committee:

A bond issue to pay adjusted compensation to former service men, would "endanger a panic and send prices ballooning." He opposed that any relief legislation at this time on the ground that heavy additional taxes would be necessary whatever plan of relief was adopted.

I don't believe we can issue bonds. If they were intended for investment they would threaten the specie basis of currency. A popular issue would have all the ill effects of an investment issue, besides inflating currency.

Extension of financial relief is utterly impossible unless the people are willing to stand heavy additional taxes. A consump-

tion tax, always unpopular, is the only tax which could be collected from month to month, producing revenue continuously.

* * *

William G. McAdoo, former Secretary of the Treasury, makes the statement:

The financial policies of the nation as embodied in the future Congressional legislation should realize the utmost economy in expenditure and might well fund in long term bonds \$1,000,000,000 per annum for two years of the amount now raised by taxation.

Under the laws a tax to establish a one per cent sinking fund to retire bonds now outstanding is to be collected beginning with the fiscal year 1920. This might well be postponed for at least two years and thus reduce the tax burden by \$250,000,000 annually.

There, too, is the debt which Europe owes us and which now amounts to about \$10,000,000,000. If the economic restoration of Europe had proceeded far enough so that Europe could now pay interest on this debt (as she will be able within a few years), we should have an income of \$500,000,000 from this source.

But that is not now available. Why not fund that amount against the day when it will come back to us? By postponing for two years the establishment of a sinking fund and funding the deferred payments of European interest, we should cover \$750,000,000 of the billion dollars by which our taxation might be reduced. By discontinuing purchases of Liberty Bonds for retirement under provisions of existing law the Treasury would be relieved of a large burden now reflected in the floating debt and which otherwise will have to be made up by taxation.

It would seem that reduction of our tax bill for the next two years in this manner could be accomplished, and that it would involve the issuance of additional bonds to the extent of probably not more than one and a half billion dollars.

The immediate burden of taxation is too great. It is having an injurious effect on business. It is a contributing factor of large proportions in the high cost of living. Its inevitable tendency is to stifle new enterprise and to throttle initiative. It is both unscientific and inequitable.

In view of the approaching decline in our export trade with the inevitable reduction in the volume of business in the country, it will become doubly important to devise and to reduce taxation in order that business may not have to carry an unnecessary tax burden throughout this period of readjustment.

* * *

Wall Street Journal says, in an editorial:

In nothing is the inveterate quackery of William G. McAdoo's conceptions, and practice, of finance shown more clearly than in his gratuitous statement on means to reduce taxation just issued in Washington. Does he propose to check national extravagance by scrapping the Shipping Board, reducing the War Department to a peace basis, firing the hordes of parasites and taxeaters in the other departments, sending the meddlesome and wasteful commissions about their business and cutting down the destructive taxes imposed by Claude Kitchin and his following, to fatten the South at the expense of the productive East and Middle West?

Not at all. He proposes to meet a debt and a deficit by suspending the sinking fund for the war loans, by funding the obligations of foreign countries and treating the I O U so

"LITTLE BABY BONDS"

created as an asset instead of a liability. The utterly indefensible war waste at the bung-hole still in active flow in Washington, unchecked by childish corking of the drip at the spigot, is to continue in all its enormity. Mr. McAdoo, with an eye to the vote-getting value of Treasury funds, wants a showy figure for the party convention at San Francisco, and the future may take care of itself.

* * *

Senator Kellogg of Minnesota in criticizing former Secretary McAdoo's schemes of finance, said his schemes had already cost the Government more than one billion dollars and that present conditions could not be remedied by continued bond issues.

* * *

In the opinion of the National Retail Dry Goods Association a uniformly applied sales tax of half of one per cent, covering all sales from the producer of raw materials to the retailer, may be sufficient to supply the revenue now derived from the excise, stamp and excess profits taxes.

* * *

Otto H. Kahn, of Kuhn, Loeb & Co., bankers, has made public a pamphlet prepared by him, entitled "Two Years of Faulty Taxation, and the Results." The essential portions follow:

Several factors are responsible for the economic dislocation and resulting ills (including high prices) which confront us. Among these factors, none has been more potent for harm than our federal taxation. The results which did arise from it were bound to arise. It did not need a prophet to foretell, for instance, that the existence of many billions of federal, state and farm loan bonds, entirely free from all taxes (and more of such bonds coming out almost daily), on the one hand, and income taxation on a scale unparalleled in any other country in respect of a person's income from business and corporate securities, on the other hand, would drive a very great portion of the country's liquid capital into tax free securities and thus largely prevent the access of private and corporate trade and industry to the great reservoir of individual investment capital.

We cannot have a return to a state approaching normal conditions of trade prices, etc., until our investment market will have come within measurable distance, at least, of normal conditions.

And that is impossible as long as our present income tax remains in force, even if the other elements which have operated to bring about the present abnormal situation were removed.

It is an old axiom of taxation that an excessive tax destroys its own productivity.

It is recommended that a radical revision of income taxation on the theory that the emphasis of taxation be laid rather on expenditures than on incomes and that a sharply marked distinction be made between such portion of a person's income as is used constructively in savings, investments, or enterprise and such portion as is spent on his scale of living. A tax based on that theory would no doubt exempt expenditures of a certain minimum sum per annum, say, \$2,500 for

single and \$4,000 for married persons, would be applied moderately to moderate expenditures, and would be severely progressive on large expenditures.

Among other desirable effects, it would reach those who, by holding tax-exempt securities, now escape the burden of income taxation.

The sales tax would aggregate a far smaller burden by the time it reaches the consumer than our prevailing array of taxes. It would weigh far more lightly on the rank and file than do the results of our existing taxation.

A trifling sales tax on the huge volume of commodities changing hands annually would yield so vast a revenue that it would enable the excess profit tax and practically all other abnormal business taxes (except perhaps the corporate income tax) to be eliminated, surtaxes on individual incomes to be greatly reduced and federal taxation of incomes up to, say \$4,000, to be abolished altogether.

We have had a two-years' test now of a scheme for raising revenue which is unscientific, inconsistent and ill-designed and has as its principal characteristic the taxation of business and constructively employed capital, on a scale without a parallel anywhere. The result is writ large in the high cost of living, industrial and economic dislocation and social discontent—for all of which our taxation policy is a strongly contributory, though, of course, not the sole, cause.

The discrimination which permits the owner of liquid capital to escape all direct taxation by the simple process of buying Municipal or other tax-exempt bonds, becomes naturally all the more effective and accentuated as the income surtax rate increases.

In the case of a person in the highest taxable class, he would have to make nearly 17% upon a corporate security or in his business in order to get the same return which he receives by investing in a tax-free 4½% bond.

And it should be remembered that in making up these figures no account is taken of the excess profit tax, which still further increases the yield from tax-free securities as compared to the yield from capital invested in business. Nor is account taken of state income taxes or local taxation.

In the case of incomes exceeding.....	\$20,000	5.35%
“ “	50,000	6.52%
“ “	100,000	10.23%
“ “	500,000	15.51%
“ “	1,000,000	16.67%

In the face of these comparisons, what inducement is there for a man to take upon himself the risk and drudgery, the worries and cares of active business, in the expectation of reasonable profits? What incentive is left to him for normally remunerated effort and enterprise under a dispensation which permits him to retain but an inconsiderable fraction of the fruits of his work, while the Government takes the lion's share up to three-quarters and more, in direct taxes? Does it not follow that there will ensue either a slackening in business effort or a tendency to exact unduly and undesirably large profits so as to offset the burden of taxes?

* * *

The United States Supreme Court held by a 5 to 4 decision that the Federal Government cannot tax stock dividends as income despite the income tax amendment to the Constitution. Sections of Article I of the Constitution prevents such taxation, it was held.

That section of the 1916 income tax law assessing as income such dividends declared by corporations out of excess earnings since March 1, 1913, was declared by the court to be unconstitutional. Similar provisions are contained in later revenue laws and the decision can be held to eliminate these sections also.

Those who formed the majority were Justice White, Associate Justices McKenna, Pitney, Van Devanter and McReynolds. Justices Holmes and Day dissented on one ground and Justices Brandeis and Clark on another.

The essential and controlling fact, said the majority opinion, is that the stockholder has received nothing out of the company's assets for his separate use and benefit; on the contrary, every dollar of his original investment, together with whatever accretions and accumulations have resulted from employment of his money and that of the other stockholders in the business of the company, still remains the property of the company and subject to business risks which may result in wiping out the entire investment.

* * *

Commissioner Roper estimates that the decision of the Supreme Court in the stock dividend case would entail a loss in revenue of approximately \$500,000,000.

These figures must necessarily be a guess, as it would take months to go through 4,000,000 returns.

* * *

Senator Frelinghuysen, in *New York World* article, says:

Official estimated expenditures for fiscal year beginning June 20, 1920, and ending June 30, 1921, are \$9,086,358,574. Official estimated revenues for same period \$6,035,850,000. Balance of estimated liabilities over receipts \$3,050,508,574. Congress faces financial situation where it is actually proposed that we spend half as much again as our whole next year's income. Such methods of transacting business would inevitably bankrupt any private concern within a short period. Slacking of work has become a national habit.

* * *

The Secretary of the Treasury, in his book of estimates for the fiscal year 1921, submitted to the House, through the Speaker, requests Congress to make the following appropriations for the expenses of the various departments of government, to wit:

Legislative	\$9,025,297.25
Executive	111,583,361.77
Judicial	1,634,190.00
Dept. Agriculture	37,528,102.00
Foreign intercourse	11,243,250.91
Military	989,578,657.20
Naval	542,031,804.80
Indian affairs	12,994,494.27
Pensions	215,030,000.00
Panama Canal	18,245,391.00
Public Works	265,675,419.17
Postal Service	391,713,673.00
Miscellaneous	833,717,637.96
Permanent annual appropriation	1,425,407,752.29
Total	\$4,865,410,031.62

These are estimates on a peace-time basis.

The Secretary of Treasury, in his book of estimates for the fiscal year 1916, a normal peace year, submitted to the House, through the Speaker, requested Congress to make the following appropriations, to wit:

Legislative	\$13,680,562.52
Executive	668,550.00
State Department	5,171,762.66
Treasury	136,833,740.00
Territorial Governments	180,600,000.00
Independent offices	3,866,020.00
District of Columbia	13,668,734.23
War Department	186,675,373.81
Panama Canal	18,931,865.58
Navy Department	147,764,086.88
Interior Department	206,282,343.20
Postoffice Department	1,820,695.00
Postal Service, payable from postal revenues.....	297,355,164.00
Dept. of Agriculture	25,800,413.00
Dept. of Commerce	16,774,095.00
Dept. of Labor	4,443,210.00
Dept. of Justice	10,857,918.50
Total	<u>\$1,090,175,134.38</u>

The difference between the estimates for appropriations for the fiscal year 1916 and for the fiscal year 1921, both peace-time years, is \$3,775,234,897.24.

* * *

Sub-Committee of the Senate Finance Committee, composed of Senators McCormick, Keyes, Edge, Simmons and King, has unanimously agreed to a national budget measure, combining features of the McCormick Senate bill and that submitted by a committee in the House. This is to be submitted to the full committee of the Senate without delay and with an urgent appeal for its speedy passage by that Chamber. It is also assumed that it will be pressed through the House and put into effect during the present session.

* * *

President Wilson has signed the oil land leasing bill.

The total area of oil lands thrown open for lease under the bill is estimated by the geological survey at more than 6,700,000 acres, while proven coal lands under Government withdrawal total approximately 30,000,000 acres, with 39,000,000 acres still to be classified. Phosphate lands are estimated at 2,700,000 acres, with sodium and other mineral deposits equally as extensive.

California, 1,189,200 acres of withdrawn oil and gas lands; Wyoming, 1,151,629 acres; Louisiana, with 467,000 acres; Arizona, with 230,400 acres; Colorado, with 220,000 acres; North Dakota, with 84,894 acres.

The Utah and Montana oil acres are estimated at more than 1,000,000 acres each, but much of this land, Government experts say, comes under the "doubtful" classification. In addition to these oil resources, vast areas

Has Over \$21,300,000 of

of oil shale lands in Colorado, Utah and Wyoming are made available for exploitation.

The naval reserve oil lands in California and Wyoming are not made available for public leasing under the bill unless the President shall so prescribe.

* * *

The Senate has adopted a resolution directing the Federal Reserve Board to advise the Senate what is the cause or justification for the usurious rates of interest on collateral call loans in the financial centers, under what law authorized and what steps if any required to abate this condition.

* * *

Investigation of the entire Federal Reserve banking system, especially to determine if an inflation of currency is responsible for the high cost of living, is proposed in a resolution introduced by Representative King, (R), Illinois, a member of the Banking and Currency Committee.

Inquiry also would be made as to reports of coercive measures to force banks to join the reserve system; competition and open market transactions.

* * *

Senate, February 9, ordered investigation of the extent to which Federal Reserve banks have withdrawn loans on grain held in storage. Chairman Gronna of Agricultural Committee, who proposed inquiry, said curtailing of credit by banks had resulted in artificial depression of price of grain.

* * *

President Wilson has approved of selling the ex-German liners, Chairman John Barton Payne of the Shipping Board, told the House Committee.

* * *

President Wilson submitted to the Senate the draft of a proposed agreement with the Allies concerning disposition of part of the German shipping taken by the United States during the war.

Under this proposed agreement the United States would pay the Reparations Commission for all German shipping retained by this country in excess of actual tonnage needed to compensate for American war losses at sea. Ships captured by the United States or allocated after the armistice are included. The Commission would regard this money as part of the reparation due from Germany for sinking allied merchantmen.

The President says: "There is not nor has there been any agreement or understanding between the President of the United States and officials of Great Britain

concerning the sale of the ex-German vessels in possession of the United States, nor is there any agreement or understanding with respect to what disposition shall be made of those ships by the United States."

* * *

House passed bill recognizing American Bureau of Shipping as the official American registry. Measure was sponsored by Representative Edmonds (R).

* * *

Senator Edge, of New Jersey, introduced joint resolution granting Shipping Board authority to sell all vessels to which it has title, with a provision that they be retained under American registry.

* * *

House rejected motion to repeal Prohibition Enforcement Act and refused to eliminate an appropriation of \$4,500,000 to enforce national prohibition.

* * *

England could pay her debt to United States in five years if she went dry, declares Lord Leverhulme, who says he is converted to prohibition, according to *Universal Service* dispatch from London. America is saving \$2,000,000,000 a year and majority of people in favor of it, he says.

* * *

One of the unpleasant jobs that Congress is about to tackle is doing something about funding the interest on the debts owed us by European countries.

Some \$328,712,000 in interest is due as follows:

	<i>Interest</i>	<i>Loans</i>
From Great Britain.....	\$ 144,441,000	\$4,277,000,000
From France	94,022,000	3,047,974,777
From Italy	54,257,000	1,621,338,986
From Russia	16,833,000	187,729,750
From Belgium	11,465,000	343,445,000
From Czecho-Slovakia	1,667,000	67,329,041
From Jugo-Slavia	917,000	25,000,000
From Roumania	610,000	48,236,629
From Greece	3,000,000	26,780,465
From Serbia	1,500,000	5,000,000
From Cuba		10,000,000
	\$328,712,000	\$9,659,834,000

Secretary Houston said that a decision had been reached by the Treasury Department that no further financial aid will be extended to foreign governments out of the \$10,000,000,000 credit fund established for that purpose. The loans to Allies, he said, amount to \$9,659,834,649.

* * *

In *The Nation* of February 28 Mark O. Prentiss, vice-president of the National Surety Company of New York

and chairman of the United States Clearing House for Foreign Credits, has written an article entitled "Europe's Insolvency":

In my opinion the United States might just as well write down its loans to Europe as a war expense, and give up any hope of recovering either principal or interest. Europe is insolvent today, and its appeals for financial assistance should be recognized in this country as appeals for charity. They are not business propositions, and however hard the realization of this fact may hit Americans who already have invested in European loans, it is only fair that the American people should be told the facts.

Few men in world-wide contact with actual conditions, uninfluenced by sentiment, really have much hope that the international debts will ever be paid. No country, in Europe shows any real sign of getting back to work on a rational basis, and the financial tangle cannot be straightened out until Europe begins to produce and export in large quantity—and repudiation may come first.

Germany's condition is such that even the Allied Governments are coming to admit the economic impossibility of the peace treaty—an economic impossibility if ever there was one—and to doubt that Germany ever will be able to pay any of the substantial indemnity on which France, England, Belgium, and Italy have relied to put their own financial houses in order. Germany is short of raw materials, food and other vital commodities needed not only to sustain its life, but also to reconstruct its fiscal position by increased exports. Without shipping, without trading facilities of any kind, with an enormously increased cost of transportation and an unfavorable rate of exchange, Germany is unable to draw from foreign countries any of the urgently required commodities.

France is in a hopeless situation because it never made any attempt to pay an appreciable part of its war debt by taxation, but slid along in the easy expectation of recovering huge indemnities from Germany and making good its losses in Russia. France's enormous loans to Russia have vanished, and the hope of large indemnities from Germany has faded.

The interest charges on Italy's national debt are almost as great as its gross national income before the war. Italy's situation is more or less like that of the other European countries, which are dependent more and more on food and raw materials to be supplied by foreign countries, not only to sustain their own home life, but in order to enable them to export the manufactured articles wherewith to pay for the imported foodstuffs.

Before the war Great Britain had \$20,000,000,000 invested throughout the world. Forced sales, shrinkage, and other factors have reduced this by 75 percent, leaving perhaps \$5,000,000,000. Last year Great Britain's income was £2,000,000 per day less than its national expenditure. The British Government is under tremendous expense to maintain the "penny loaf," which costs it £1,000,000 a week, and the expense of maintaining military establishments in Ireland, India, Egypt, and elsewhere is enormous. Already its permanent internal interest charges amount to over £370,000,000 (and considerable sums are annually due abroad) as against a pre-war interest charge of £24,500,000. Computed in relation to the total man-power of the British Isles, the annual interest charge is more than £30 per man against an average earning capacity of £125 per man.

Such conditions, if properly analyzed, do not promise a stable outlook and a banker, scrutinizing such borrower's

BUY WAR SAVINGS STAMPS

statements as the European countries have to show, would reach a very quick and positive decision. Our Government has made it clear that it will not make further advances. But it is not merely a question of future loans. We are already heavily involved in Europe. The world owes us as a nation \$12,000,000,000 of notice loans, and it is estimated that additional obligations held by our industrial, financial and commercial men amount to at least another \$8,000,000,000. Our manufacturers have made many sales abroad on the exchange of foreign countries and hold acceptances, or have drawn on foreign purchasers; and they have sold those drafts and acceptances to banks which in turn have discounted them under the Federal Reserve system. This paper has been renewed, and renewed, and renewed again, and is falling due and must be paid before long, at an already depreciated exchange of 30 per cent to 60 per cent.

Immense quantities of American merchandise have been sent abroad, principally to Europe, on consignments, or placed in warehouses throughout the world, subject to order. Such consignments probably total \$2,000,000,000.

* * *

According to plan outlined to House Ways and Means Committee by Norman Davis, Assistant Secretary of Treasury, in charge of foreign loans, Government seeks authority to defer receipt of payment of interest on \$9,500,000,000 loans to Allies for three years and then forego interest on the deferred interest. Obligations would be funded into fifteen-year bonds at the end of three years, and deferred interest would be added to annual interest and paid in equal annual instalments during the fifteen-year period. Interest on the deferred interest, which the Government would forego for eighteen years, would amount to approximately \$1,000,000,000.

* * *

Testifying before the Senate Committee on Commerce on marine insurance legislation, Representative George W. Edmonds stated that while Sir George Paish was making his speeches in Philadelphia in behalf of a \$13,000,000,000 international loan, British engineers were making a survey of the Hog Island facilities with a view to purchasing it as a great ship terminal.

Senator Jones commented that while Great Britain is asking the United States to fund the financial obligations of the Government the people are using their funds to build up private enterprises. He said that he opposed keeping up loans abroad.

"It is ridiculous for them to be asking us to lend them billions," remarked Representative Edmonds.

* * *

Bank of England has warned Government of perilous state of \$6,000,000,000 floating debt for payment of which no provision has been made, according to *Universal Service*. *Daily News* points out despite this in-

"LITTLE BABY BONDS"

debtedness municipalities are undertaking huge capital commitments including housing programs and new budget will include appropriation of \$625,000,000 for army maintenance in addition to cost of forty new war-ships, \$500,000,000 for social service, an enormous pension list, \$250,000,000 for a bread subsidy and a great railroad subsidy.

* * *

The appointment of Sir Auckland Geddes as British Ambassador to the United States has been officially announced.

The British Ambassador at Washington will hereafter receive £20,000 yearly. His salary will be £2,500 and entertainment allowance £17,500.

* * *

The Italian Premier, Signor Nitti, in an interview with *Universal Service* prior to his departure for Paris and Rome, said:

Europe has got to make it clear that it is not going to start the war all over again, but this conviction cannot be created outside of Europe without a real change in the situation.

There is a terrible change in Europe's world position. Indeed, Europe is in danger of permanently losing the position she held before the war. Then she was the creditor; now she is the debtor. Then she was the world's most productive region in proportion to population; now millions of her workers are unemployed.

Germany, which was famous in European productivity, is paralyzed economically. Southeastern Europe and Russia are not only stagnant economically but in social and political confusion.

How can Europe live if half her energies remain suppressed? There are possibilities of revolution in this huge mass of suffering humanity in Central and East Europe.

At all costs, hate must be got rid of if the tension must be relaxed. How the vanquished pay their indemnities unless production is restored by the allocation of raw materials? Interallied economic co-operation must release competition. The governments must set an example in economy. There must be credits by the Pan-European countries, with more guarantees.

Europe's immediate need is to restore production to the utmost.

* * *

The Adriatic question has come into the foreground as a vexing problem in Allied diplomacy. President Wilson, who had not been consulted about the modified plan, had sent a note to the Governments of Great Britain, France and Italy to the effect that if the new arrangements should be put into force without consultation with this government, the President might consider seriously the withdrawal from the Senate of both the Versailles treaty and that for the defense of France.

Until Date of Maturity

State Department makes public note from Lloyd George and Millerand to President Wilson, February 26, together with four other notes of Adriatic correspondence, revealing that French and British premiers had invited President to join them in proposal to Italians and Jugo-Slavs to negotiate mutual agreement on basis of withdrawal of all previous proposals.

President Wilson's reply to Allies, in Fiume controversy, reiterates his determination that agreement of December 9, entered into by United States, Great Britain and France, must stand.

* * *

Soviet Government, in new peace proposal to great powers, pledges establishment of democratic principles in Russia, calling of Constituent Assembly, and restoration of 60% of liability on Russia's foreign debt, with interest arrearages, payment being guaranteed by large silver and platinum mining concessions to Anglo-American syndicate. Soviet in return demands other countries abandon intervention in Russian affairs and asks United States credit conditioned on considerable concessions. Proposal has not been officially communicated to American Government and officials refuse to comment on it.

* * *

Senator Borah, a member of the Committee Investigating Bolshevik Activities, said:

The recognition of the Russian Soviet Government and the opening of trade relations between that Government and the Governments of Europe is in sight. It may be perfected before the end of ten days.

Senator France, of Maryland, sponsor of a resolution asking that this Government recognize Soviet Russia, said:

The temper of the Senate has changed toward the Soviets in the last week.

I intend to press my resolution for immediate consideration and hearing in the Foreign Relations Committee. I believe the European nations will recognize the Soviet Government very soon.

* * *

Allied Council of Premiers declare that the Allies cannot enter into diplomatic relations with the Soviet government in view of their past experience until they have arrived at the conviction that the Bolshevik horrors have come to an end, and that the Government at Moscow is ready to conform its methods and diplomatic conduct to those of all civilized governments. At the same time the Council says that commerce between Russia and the rest of Europe, so essential for the improvement of economic conditions, not only in Russia

but in the rest of the world, will be encouraged to the utmost degree possible without relaxation of the attitude described above. Apparently, the Council is not satisfied with the reports from Russia which are at present available, for it expresses the belief that it is "highly desirable to obtain impartial and authoritative information regarding the conditions now prevailing" there. Meanwhile, the Premiers do not counsel the independent or autonomous communities bordering the frontiers of Soviet Russia to continue war, and still less to adopt a policy of aggression toward the latter, though declaring that the Allies will give them every possible support in case Soviet Russia attacks them inside their legitimate frontiers. A new element has been injected into the situation by the reported proposal of peace by the Soviet government on the basis of the abandonment by the powers of all intervention in Russian affairs, the establishment of democratic principles in Russia, the calling of a constituent assembly, and the withdrawal of the decree annulling Russia's foreign debt.

* * *

Russia, under normal conditions, is a large exporter of foods, some raw materials like lumber, wool, hides, flax, and important minerals and oils. It also is the second largest producer of potatoes. In the three years before the war some important food exports average like this, in bushels:

Wheat	180,000,000	Barley	175,000,000
Oats	65,000,000	Rye	35,000,000
Corn	30,000,000	Sugar (tons)	1,000,000

These exports were paid for by clothing, boots, shoes, machinery, tools, implements and other manufactured goods. A resumption of trade would ultimately result in lower food prices, which would benefit us also, and the obtaining of raw materials for the manufacture of linen, clothing, shoes and other necessities, and at the same time give employment to labor in their manufacture.

* * *

Apparently Russia and Turkey present the most vexatious and serious problems with which the Supreme Council has to deal just now. European advices this week have indicated that not only was the situation in the one country about as troublesome as the other, but that the problems of each were linked rather closely together. That of trying to restore order in Russia and of resuming trade with that country was further complicated by the report from Soviet sources in Moscow that the Bolsheviks had captured Archangel.

Associated Press announces from London that J. H. Thomas, General Secretary of National Union of Railway men, said that the state of the world was such that unless something was done speedily a crash would come

in which nobody would suffer more than the workers. Mr. Thomas declares that British workmen must work a quarter harder than before the war, the French twice as hard and the Germans eighteen times harder.

* * *

Announced from Naples that, in opinion of American officials in Italy, more Italians will emigrate to United States this year than in record year of 1913, when 375,000 left that country for America.

			Immigration	Emigration	Net Gain or Loss
1913	1st 6 mos.	.....	652,449	120,419	Inc 532,030
	2nd 6 mos.	.....	734,869	153,790	Inc 581,079
1914	1st 6 mos.	.....	483,611	149,548	Inc 334,063
	2nd 6 mos.	.....	204,884	144,087	Inc 60,797
1915	1st 6 mos.	.....	121,816	59,987	Inc 61,829
	2nd 6 mos.	.....	136,862	100,654	Inc 36,208
1916	1st 6 mos.	.....	161,964	29,111	Inc 132,853
	2nd 6 mos.	.....	193,803	40,614	Inc 153,189
1917	1st 6 mos.	.....	101,600	25,663	Inc 75,937
	2nd 6 mos.	.....	51,360	39,160	Inc 12,200
1918	1st 6 mos.	.....	59,259	52,596	Inc 6,663
	2nd 6 mos.	.....	56,657	28,016	Inc 28,641
1919	1st 6 mos.	.....	84,483	95,506	Dec 11,023
	2nd 6 mos.	.....	130,000*	164,000*	Dec 34,000

*Estimated on basis of 5 months—July 1 to November 30.

* * *

Although the press reports speak hopefully of a great influx of foreign labor, our investigations fail to corroborate such a view. Rather we are convinced that the return to the pre-war rate of immigration will be very gradual. It is likely to take at least five years before we again see a net immigration of foreigners as large as in 1913. Strangely enough, the peoples of Europe on whom we have formerly counted for our immigration are not anxious to escape the wretched conditions which they are having to endure.—*Babson's Barometer Letter*.

Crops

Price Current says: Reports on condition of Winter wheat indicate conditions throughout Indiana, Illinois and Missouri are, if anything, more discouraging than two weeks ago, whereas reports from Kansas and Oklahoma indicate practically the same situation as two weeks ago. On the whole it would seem to be definitely certain that in addition to heavy reduction in acreage planted there will be considerable abandonment of acreage on account of Hessian fly, freezing and thawing, ice covering and late bleeding. Reports indicate conditions are uneven and local, and considerable conflict of opinion regarding conditions.

* * *

Modern Miller says there are many drawbacks to wheat in the Southwest, where conditions are low. Lack of snow protection during the below zero temperatures with ice covering for long periods stunted or killed the plants. Droughty conditions prevailed in much of the belt, especially in sections of Kansas and Oklahoma. There was a lack of germination owing to drought and low temperatures at seeding time last Fall. Hessian fly is now found in increasing numbers where snow has disappeared. Abandoned acreage is large and more Spring wheat will be seeded this year than expected.

* * *

Cotton economists assert new crop will be produced at greatest cost in history. Labor, food and fertilizer are at greatest prices and with no reduction in sight, talk of cheap cotton is characterized ridiculous.

* * *

Department of Agriculture estimates reserves of principal grains of the harvest of 1919, on farms March 1, 1920, as compared with former years, in bushels (000 omitted) and percentage of crops as follows:

	Mar. 1, '20		Mar. 1, '19		Mar. 1, '18	
	Bushels	%	Bushels	%	Bushels	%
Corn	1,092,095	37.4	855,269	34.2	1,253,290	40.9
Wheat	165,539	17.6	128,703	14.0	107,745	16.9
Oats	422,815	33.9	590,251	38.4	599,208	37.6
Barley	38,010	22.9	81,746	31.9	44,419	21.0

Percentage of the principal grain crops of 1919 that will be shipped out of the countries where grown. Compare with those of preceding years as follows:

Crops of	1919	1918	1917
Corn	16.3	14.5	22.1
Wheat	60.1	58.8	51.1
Oats	25.7	27.4	32.3
Barley	34.8	39.0	39.7

* * *

Department of Agriculture issues statement which says in part:

Serious risk of reduced food production this year because of high wages demanded by farm laborers, high cost of farm equipment and supplies, and because of pronounced movements of people from the farms to the cities is indicated by

Over 116 Million Dollars

reports and letters that are reaching the United States Department of Agriculture from many sections of country. The most definite of these reports come from New York State where records of population on 3,775 representative farms on Feb. 1, this year, and Feb. 1 a year ago were made by Federal and State workers. It was disclosed that during past year the number of people on these farms decreased nearly 3% and the number of hired men decreased more than 17%.

* * *

According to *New York American* dispatch, Russian economists state that immense stores of grain from crops of 1918 and 1919 are available for export and that co-operatives at Vladivostok have undertaken to deliver \$650,000,000 worth of all kinds of merchandise to America and England.

* * *

American Consul at Sofia reports to Department of Agriculture that grain crop for 1919 in Bulgaria was considerably in excess of needs of country. Surplus available for export variously estimated at from 500,000 to 1,000,000 tons. In order that country may derive greatest possible benefits from exportation of this grain, a law has been passed putting exportation of all grain under control of a consortium formed by National Bank and the Co-operative Bank.

* * *

International Institute of Agriculture at Rome reports to the Department of Agriculture Winter wheat acreages this year and percentages of last year's area as follows: Spain, 9,511,000 acres, 91.6 per cent; France, 11,369,000 acres, 103 per cent; Roumania, 1,321,000 acres, 44.5 per cent, and British India, 27,429,000 acres, 115.2 per cent.

Commercial

In their general reports on business conditions for February Federal Reserve agents forecast the continuance of an active demand for goods of all kinds for some time, but say the signs of lessened activity and restriction in buying are evident in many sections.

Agricultural conditions are reported as good with a outlook for good crops. Oil production has been heavy. The steel and iron industries, the building industry and manufacturing are booming and live stock wintered well and is increasing, with a lessened slaughtering. Nevertheless there is an undercurrent indicating commencement of the ultimate retrenchment in business and credits that is regarded by Government authorities as inevitable.

In District No. 1 (Boston) the Federal Reserve agent reports that "it seems clear that commodities are finding the way to the counters of the retail merchants with increasing facility, and though they may not yet have actually observed any appreciable falling off in the purchasing activities of the public they are becoming increasingly conscious that the inevitable time of forced retrenchment is approaching near and nearer."

From District No. 3 (Philadelphia) it is reported there is a brisk demand for manufactures of all kinds, but that the danger of further price advances is well recognized. "There cannot be any long continuation of price advances combined with increased purchasing unless production can at the same time be made larger." Foreign trade conditions are making themselves felt in a practical way, sundry prices weakening as a result of the decline in sterling.

In District No. 7 (Chicago), "it is not surprising that the tone of replies to inquiries concerning business conditions in the Middle West should reflect more or less apprehension of a period of business depression. This is said to be particularly noticeable in the advices received from producing centers."

In District No. 8 (St. Louis) active business in practically every line is reported, although "during the past few weeks several disturbing factors have tended to lessen its volume from the high level of January." Possible price reductions are foreseen and buyers are limiting their purchases, yet there is a "feeling of optimism" among most business men.

In District No. 10 (Kansas City) some lines of business have declined in activity, but building operations have enormously increased and there is no effort to pay off war indebtedness.

In District No. 4 (Cleveland) it is reported pig iron buying during the last four or five years has been "in tremendous volume" and it is estimated by trade authorities that total sales during that period exceeded 1,000,000 tons. Consumers have bought ahead up to January, 1921.

Petroleum production in the Kansas and Oklahoma fields for January was somewhat over 10,000,000 barrels, or about the same as for December. This was a gain of 96 per cent. over January, 1919.

In spite of exceedingly high costs of building material the intense shortage of accommodations is causing a great growth in building operations in many parts of the country. On the Pacific coast an increase of nearly 30 per cent. is noted, as compared with December, while, as compared with January of last year, permits issued are nearly four times as great.

Throughout practically all the reports runs recognition of the existence of an overstrained condition of credit and of some continued tendency to speculative operations, while high living costs and the upward movement of prices have apparently not been checked, notwithstanding the decrease in prices of some classes of goods and a tendency toward restricted trade in specified lines. Interest rates are high and rising in most places, while banks are exercising a greater degree of discrimination and judgment in complying with the demands of their customers.

The demand for iron and steel continues vigorous and many mills are sold far ahead.

* * *

The Cleveland Trust Company's (Cleveland, Ohio) *Business Bulletin* finds tremendous shortage in many lines and particularly in the basic industries. Discussing the collapse of the European exchange the bank expresses the opinion that Europe cannot cut off at one stroke the buying of food and raw materials in America, and that even if this were possible the enormous demand for goods in the domestic markets would provide a buffer against immediate hard fall in either prices or business activities. Declaring that the country's present phenomenal industrial activity is not as dependent upon foreign trade as is commonly thought, the bank points

out that the ratio of exports to total productions in 1919 was less than 7% which is not higher than the pre-war average. In addition it is shown that while exports last year increased 221% over 1913 in money value, the total vessel tonnage cleared from American ports was 6% less than 1913. While the tendency of foreign trade in the country is toward reduction of the huge excess of exports the readjustment in its effects on domestic business and prices will be gradual rather than overnight.

* * *

Charles E. Mitchell, president of the National City Co., believes industrial depression would be overcome by building deficit calling for expenditure of more than \$5,000,000,000. Railroad equipment needs estimated between \$1,500,000,000 and \$2,000,000,000. Aside from financing needed to better railroads' physical condition 1920 maturities are estimated at \$170,000,000 and 1921 requirements more than \$400,000,000, including \$200,000,000 for Chicago, Burlington & Quincy Railroad.

* * *

Financial Chronicle says:

The tendency of merchants in most sections of the United States is to pick their way cautiously. They are ordering less merchandise both for immediate and future delivery. The word of order is conservatism. It is spreading to all parts of the country. Many are buying only enough to supply immediate needs. There is a growing feeling that prices may have reached their peak or are close enough to it to make discretion highly desirable. The possibility of credits being contracted directly or indirectly through the raising of rediscount rates especially in view of recent unfavorable bank statements, undoubtedly has a more or less sobering effect in big centers of business. So has the feeling that seems to be spreading that deflation of war inflated prices has already begun. Exports have fallen off. Western meat packing concerns are laying off some thousands of men because of the contraction in the export demand. Imports of textiles and food are increasing. Englishmen are having it instilled into them, it appears, that the more American goods they buy at retail or otherwise the more it tends to depreciate the pound sterling and injure British trade interests. Australian mutton is being transhipped from England to America. The competition of European with American goods in American markets, though as yet not really very formidable, tends to increase and become a more or less serious factor in American markets.

Some manufactures, as steel and iron, are much wanted but production lags both through short hours and labor inefficiency.

Retail trade, as well as wholesale trade, is less active. There is no doubt more or less irritation everywhere over the continued high cost of living. Food prices decline but slowly. Clothing is very dear, and the quality furnished for the most part poor, even at prices double or more what was formerly paid. Housing is scarce and rents are mounting. People are scrutinizing prices more and more carefully, if not angrily.

Taking the business of the country as a whole it is in no bad shape and there is no feeling of depression. The business community simply feels that it is a time to proceed more carefully and it is doing it; that is all.

"LITTLE BABY BONDS"

A San Francisco commission merchant now in this city, is quoted as saying that millions of dollars worth of foodstuffs sold to Europe during the past three or four years is being returned and resold in American markets to take advantage of the rate of money exchange. Shipments are coming from England, France, Holland, and Scandinavian countries.

A French boycott of American shipping is the first concrete result it is said, of the recent report of Secretary of the Treasury Carter Glass, in which he opposed the idea of further American Government loans to France or any other European nation. This suggests the old saying that if you lend a friend money you lose one friend and sometimes the money also.

* * *

Bernard M. Baruch says: "We in the United States now are about back to normal. True, a great many have not yet resumed the job at top speed, but they are getting back. The great forces that of necessity had to be dedicated to destruction now are about to aid construction with all of their ability. Production will reach the maximum and the result will be that prices will go back to normal and all of the people will benefit. Because of my belief in this fact I am opposed to any price-fixing by Congress in peace times. The laws of supply and demand can be depended on to take care of this."

* * *

The Harvard University Committee on Economic Research in its review and forecast of general business conditions as of February 25 says:

Our index of general business conditions and supplementary economic analysis lead us to the conclusion that the liquidation which began in security markets last November will be followed by a recession of commodity prices and a decrease of business activity. Continued depression in security markets accompanied by liquidation in commodity markets, which will continue until the financial strain is relieved, is our forecast of the probable developments of the next four or six months.

It does not now appear probable that the liquidation in commodity markets will lead to panic. Price recessions in iron, steel and other commodities, would undoubtedly uncover a considerable domestic demand from public utilities. Other industries, such as those handling building materials and petroleum, also appear to be in a relatively strong position and such price recessions in their products as occur may be small. A marked decrease in our excess of exports is one of the probabilities, however, and certain industries, such as those dealing in luxuries, those selling to the European market, and those competing in the home market against foreign producers, may be severely affected.

Two disturbing developments which have been in progress since the opening of the year may lead to serious difficulties. One is the sensational rise of commodity prices amounting to 4% in the single month of January. The other is the persistent decline of reserves of the combined federal reserve banks in a season when reserves normally increase, a decline which is due in some measure to continued gold export from the United States. These developments make a readjustment in business appear more probable than it seemed a month ago; and, if they continue, will increase greatly the severity of such readjustment.

and Are Certain to Gain

factors. Bank clearings gain over last week and a year ago. Failures above last week's and a year ago. Weekly index declines.

* * *

The Bureau of Foreign and Domestic Commerce, Department of Commerce, reports the monthly values of merchandise, imports and exports of the United States, as follows:

MERCHANDISE.

	Month of January		Seven Months Ending January		Increase
	1920	1919	1920	1919	
Imports					
Free of duty.....	\$320,845,267	\$157,519,481	\$1,935,882,436	\$1,304,062,205	\$631,820,231
Dutiable	153,091,343	55,473,163	831,921,615	394,139,215	437,782,400
Total			\$2,767,804,051	\$1,698,201,420	\$1,069,602,631
Exports					
Domestic	\$719,207,863	\$611,802,497	\$4,510,038,035	\$3,734,336,163	\$775,701,872
Foreign	11,500,000	10,750,286	83,938,067	63,077,555	20,860,512
Total	\$730,707,863	\$622,552,783	\$4,593,976,102	\$3,797,413,718	\$796,562,384
Excess of exports.....	\$256,771,253	\$409,560,139	\$1,826,172,051	\$2,090,212,298	
			(000 omitted)		
Imports—			Month of January	7 Mos. ended Jan.	
			1920	1919	
Crude materials for use in manufacturing.....			\$215,477	\$77,757	\$660,485
Foodstuffs in crude condition and food animals.....			52,717	28,437	190,347
Foodstuffs partly or wholly manufactured.....			67,657	28,597	383,705
Manufactures for further use in manufacturing.....			67,919	42,750	333,638
Manufactures ready for consumption.....			65,478	34,333	405,136
Miscellaneous			4,654	1,115	240,452
Total imports			\$473,904	\$212,992	\$1,698,201

Exports—

Crude materials for use in manufacturing.....	\$237,477	\$137,769	\$1,153,555	\$670,108
Foodstuffs in crude condition and food animals.....	44,408	48,544	371,276	416,389
Foodstuffs partly or wholly manufactured.....	137,004	143,132	959,359	786,385
Manufactures for further use in manufacturing.....	79,340	86,516	548,245	584,988
Manufactures ready for consumption.....	218,945	194,338	1,470,067	1,266,577
Miscellaneous	1,831	1,499	7,591	9,887
Total domestic exports.....	\$719,207	\$611,802	\$4,510,094	\$3,734,336
Foreign merchandise exported.....	13,537	10,750	85,908	63,077
Total exports	\$732,745	\$622,552	\$4,596,003	\$3,797,413

Imports from Grand Divisions—

Europe	\$112,030	\$21,867	\$625,585	\$157,831
North America	118,122	87,718	700,299	564,688
South America	77,938	36,018	499,651	338,580
Asia	122,265	47,309	760,980	475,333
Oceania	23,213	18,307	93,296	123,492
Africa	20,333	1,771	87,957	38,273
Total	\$473,904	\$212,992	\$2,767,771	\$1,698,201

Exports from Grand Divisions—

Europe	\$468,186	\$370,162	\$2,981,426	\$2,340,514
North America	134,900	101,389	843,845	802,674
South America	39,627	52,026	245,021	216,251
Asia	72,042	62,324	386,443	280,281
Oceania	13,805	27,445	87,298	113,464
Africa	4,183	9,203	51,968	44,227
Total	\$732,745	\$622,552	\$4,596,003	\$3,797,413

Secretary Alexander of the Department of Commerce, when he learned that his estimates for promoting foreign trade were cut from \$1,658,000 to \$490,000, said:

At the very time when the European and Japanese governments are striving strenuously to perfect their trade-promoting machinery through enormously increased appropriations, this bill proposes to scrap the American machine, the most effective and smoothest running that any government has ever been able to assemble. At the very time when other governments are busily engaged in copying this machine almost to the last detail, this bill proposes to smash it to smithereens. When our rivals have an almost overwhelming trade advantage in exchange rates, this bill proposes to handicap the American manufacturer by practically withdrawing the helping hand of the Government, when our merchant marine becomes a fact, it is virtually announced that foreign trade is not worth supporting. Just as our banks, wisely legislated for, find themselves in a position to finance our trade as efficiently as other countries finance it, it is discovered that foreign trade promotion is a waste of money. On the brink of uncertainty as to the future of our foreign trade, and therefore of our whole industrial fabric, it is decided, in the name of economy, that we are not interested in the subject.

* * *

The American Bankers' Association, through its Committee on Commerce and Marine, has presented a statement to the Committee on Commerce of the United States Senate urging, for the proper maintenance and development of this country's foreign trade, a privately owned and operated merchant marine. The Bankers' Association Committee advocates the working out at the earliest possible moment of a plan providing equitably for the disposal of the government-owned merchant fleet to responsible American concerns at prices fairly corresponding to the value of such vessels in the markets of the world, well-established shipping firms having in this disposal their rightful opportunity to expand their business.

* * *

Latest reports from Europe testify that Britain is making remarkable strides toward rehabilitation of her industries. So is Belgium. Finland is described as sound to the core. France is not yet out of the woods by any means. Nor is Italy. Germany is still shot through with uncertainty. The general deduction to be drawn from developments in Europe is that the lopsided trade with America will be steadily rectified as the weeks pass.

* * *

A. M. Samuel, M. P., recently stated in Parliament that he hoped the Government would not move hand or foot to put the American exchange right. To put it right would mean gain to America and not to Great Britain. The exchange put up the price of food against the British working man but on the other hand because of it orders from America were pouring into this country for industries that were short of employment. This is

Has a 67-Year Record

substantiated by the Board of Trade which shows a steady revival of export trade to the United States.

How rapidly Great Britain is recovering her trade position is indicated by the re-export figures for January. They amount to 25,464,477 pounds or 20,904,358 pounds over January, 1919, an increase of 458.4%.

British :—		—January, 1920—	
		Increase	P. C.
Imports	£183,498,388	£48,951,952	36.3
Exports	105,879,909	58,536,728	123.6
Re-exports	25,464,477	20,904,358	458.4
	* * *		

Wholesale prices in the aggregate continued to advance during the month of January, according to information collected in representative markets by the Bureau of Labor Statistics of the United States Department of Labor.

The bureau's weighted index numbers for the two months are shown in the following table prices in 1913 being considered the base or 100. For purpose of comparison the index numbers for January, 1919, are also given:

	1919	*Jan. 1920
	Jan.	Dec.
Farm Products	222	244
Food, etc.	207	234
Clothes and clothing	234	335
Fuel and Lighting	170	181
Metals and metal products.....	172	169
Lumber and building materials.....	161	253
Chemicals and drugs	191	179
Housefurnishing goods	218	303
Miscellaneous	212	220
All commodities	203	238

*Preliminary.

Once business starts on the return journey from the dizzy heights it has reached, the downward pace may be startlingly and disconcertingly rapid.

* * *

The Department of Labor's weighted index number of wholesale prices for the month of January showed a gain of 4.2 per cent over December and of 22 per cent over January, 1919.

The average family expenditure for food increased 2 per cent in the month ended January 15, according to statistics made public at the Labor Department. This is an increase of 9 per cent over January, 1919, and 104 per cent since January, 1913.

* * *

BRADSTREET'S PRICE INDEX NUMBERS.

Mar. 1, 1920	Feb. 1, 1920	Jan. 1, 1920	Dec. 1, 1919	Nov. 1, 1919	Feb. 1, 1919
\$20.7950	\$20.8690	\$20.3638	\$20.1756	\$19.9026	\$17.6344

* * *

Index number of commodity prices compiled by *The London Economist* shows a further advance during February to 8160 the gain for the month being 392 points, compared with an increase of 404 points in January.

Comparisons showing change in *The London Economist's* compilation since the war began are given:

	Cereals and meat	Other food prod- ucts (tea, sugar, etc.)	Textiles	Minerals
Basis (average 1901-1905)...	500	300	500	400
1914—				
End July	579	352	616½	464½
End December	714	414½	509	476
1918—				
End June	1274	777½	1811½	861½
End December	1303	782½	1805½	866
1919—				
End June	1338	800	1741½	937
End December	1441½	881½	2442½	1145
1920—				
End January	1461	857½	2702½	1211½
End February	1454	886½	2951½	1253½
	*	*	*	

Hon. Reginald McKenna, former Chancellor of the Exchequer of the British Government, now chairman of London Joint City and Midland Bank, says:

It is an accepted doctrine that there are three factors governing the price of commodities—demand, supply and cost of production.

The supply of commodities is less today than it was in 1914, and in consequence if the other factors had remained constant, some rise in prices would inevitably have occurred from this cause alone. Again, chiefly owing to higher wages, cost of production has risen greatly, but in the sequence of events it has generally followed, not preceded, the higher prices. Whatever share, however, these two factors may have had in raising prices, there can be no question of the importance of the third. Demand, measured by the purchasing power of the public, has increased enormously.

As spending power grows the demand for goods grows with it, and as demand grows, prices rise.

The actual spending power of the public is gauged by the total amount of currency in circulation, added to the total amount of bank deposits. In 1914 the public spending power was £1,198,000,000; today it is £2,693,000,000 an increase of £1,495,000,000 or 125 per cent.

If we take 100 to represent the cost of living in 1914 the corresponding figure today would be about 225, or an increase of 125 per cent.

Thus, we see a marked increase in currency, in bank deposits, and in the price of commodities. The spending power of the public and the cost of living shows the same percentage increase of 125.

What is the cause of the increase in spending power, or, in other words, of the increase in currency and bank deposits? Bank deposits are derived from two sources, and from two sources only. The first and most obvious source is by payments of currency into a bank. The second source from which deposits are derived are from payments by a bank which are neither charged against an existing deposit nor used for the repayment of an existing debt to a bank. They consist chiefly of bank loans or advances.

The aggregate, then, of bank deposits is increased by payments into banks of currency, by bank loans, and by payments by banks on their own account to meet their own expenses.

We are seeking the relation between the increase of bank deposits, the increase of currency, and high prices; and we

have got so far as to see that bank loans are the main source of the growth of bank deposits.

As an increase of deposits means an addition to our purchasing power, we should expect such an increase to be followed by a rise in prices. If money is borrowed by manufacturers and traders for the purpose of the production or movement of commodities, the increase of purchasing power consequent upon the loans is followed in due course by an increase in the amount of commodities available, and the rise in prices which might be expected from a greater demand is corrected by a greater supply.

When the goods are manufactured and sold to the merchant it is expected that the proceeds of the sale will be used to pay off the bank loan.

The merchant in his turn may have borrowed from his bank to pay the manufacturer, and there may be a whole series of loans. But when the consumer has paid cash for the goods, all the series of loans will in the ordinary course be liquidated, and there will have been an increase in bank deposits only so long as the goods were not finally disposed of.

In this view of bank transactions, loans by banks, and therefore deposits, would only increase in total amount as the total of commodities increased. There would be a greater purchasing power for the time being, but there would also be a greater supply in process of production.

It will be observed that the first effect of a trade loan is to increase deposits, and as the aggregate of such loans, and consequently of deposits and purchasing power, may be steadily growing in amount, it may be argued that loans of this kind may also drive up prices. To a limited extent this is true.

It is impossible to give precise figures, but the best estimate I can form is that of the total of £1,100,000,000, £800,000,000, including Treasury bills, have been lent to the State, and £300,000,000 to trade. The Government, under the overwhelming necessity of war effort, has been the great borrower from the banks.

The loans to the State have led to an immense increase of deposits, and as they have remained outstanding long after the commodities they were raised to pay for have been consumed, they have been an inevitable cause of a rise in prices.

The public must first draw upon their deposits with the banks in order to subscribe to the loans, and when the Government spends the proceeds of the loans, the money only fills up the gap in the deposits caused by the previous withdrawals.

But quite different effects follow when the Government borrows directly from the banks or indirectly from the banks through members of the public who obtain bank advances to enable them to take up the loans. In each case the banks subscribe by drawing on their balances with the Bank of England. The money received by the Government is paid out in due course to meet liabilities to contractors, by whom again it is paid to the credit of their accounts with the banks.

The customers' deposits are thus increased, and as the banks in their turn pay the money in to their accounts at the Bank of England, the previous withdrawals from the bank are made good. Thus the net effect of the whole proceeding is to increase the total amount of bank deposits by the exact amount which the banks have lent to the Government directly or indirectly, and the whole weight of the additional spending power is thrown upon prices.

The first consequence of the immense Government purchases was to stimulate production. Machinery was used to its full capacity; the number of people employed was greatly in-

creased; women took the place of men, and there was a very considerable addition to the total national output.

But enlarge the output as we would, it could not keep pace with the nation's requirements. Demand outstripped supply, and, just as it happens when a period of comparative trade depression is succeeded by a trade boom, there was a natural rise in prices. At once more currency was needed, partly to pay the wages of the larger number of workpeople employed, partly because with higher prices shopkeepers keep more money in their tills.

To the extent that more currency was issued, the spending power of the community was increased. But up to this point the increase was not great.

To meet the daily growing expenditure the Government had to borrow freely from the public, from the banks and from the Bank of England. Bank deposits increased enormously. There was no proportionate increase in the supply of goods, and the usual consequence followed. Prices began to rise rapidly.

The rise in prices was next followed by general demands for increased wages. As these now rose the cost of production rose, too, and another turn was given to the screw on which prices were steadily mounting. But higher wages and higher prices mean a greater demand for currency.

Those who study conditions with care see that every advance by the Bank of England to the Government is followed by a fresh issue of currency notes. Once the nation can free itself from the need for these advances, the rise in prices, so far as it is due to an increased demand, will cease, and the currency in circulation will no longer expand. When the advances are paid off prices will tend to go down, and the currency in circulation will diminish.

If I might hazard an opinion, it would be that prices will remain permanently on a far higher level than in 1914. The rise that has taken place is not local. It is not even European and American. It covers the whole world.

Increased production will bring down prices to a certain extent, but the purchasing power of the world measured in money cannot be materially diminished.

Deflation is bound to be very slow. Any attempt, indeed, to bring it about rapidly would cause wide-spread ruin among manufacturers and traders.

Today, the balance of trade is against us, and while the bank rate should be at such a level as not to encourage the discounting of foreign trade bills in our market, to raise it above this point may in existing circumstances injure rather than benefit our exchange. For dear money adds to the cost of production and every addition to costs hampers our export to those foreign markets in which we have to meet serious competition.

Bank advances to industry, though heavy in the aggregate, are not greater than industry requires, having regard to the amount of money sunk in the high-priced stock which a trader has to carry.

Dear money is an additional expense in production and has the effect in itself of raising prices, but the counterbalancing influence which it might be expected to exercise by the restriction of credit is neutralized by the repeated outpourings of bank cash due to borrowing by the Government from the Bank of England.

The only condition on which we shall be able to check the rise in prices is that our annual expenditure is brought within the compass of our revenue.

"LITTLE BABY BONDS"

Edward Cumpson, president of the New York Wholesale Grocers' Association says:

The direct cause of high prices in foodstuffs is the fact that demand has far outstripped the production. It is my belief that this cause cannot be removed in less than two years. The farm and factory worker is giving about six hours work to an eight-hour day. That's got to change.

* * *

Prices of Leading Staples.

	March 9, 1920.	Last year.
Fl'r, Minn. pat.....	\$13.50	\$11.25
Wheat, 2 red.....	2.60	2.36½
Wheat, 1 Nor. spg.....	3.50	2.36½
Corn, No. 2 yel.....	1.80¼	1.62¾
Oats, 3 white.....	1.02½	.72⅛
Pork, mess	42.50	50.00
Lard, pme. Wn.....	21.35	28.25
Cottonseed oil	19.25	....
Tal., city, hhds.....	.14	.09
Coffee, Rio 7.....	.15½	.16
Sugar, gran.	14a16	9.00
Tea, Formosa	.20	.25
Butter, c'm'y.	66½a67	60 a60½
Cheese, St. f. c.....	30 a31	32½a..
Cotton, mid. up.....	40.75	26.85
Print cloths	.16	.07
Petlm., ref., gls.....	.24	.17½
Gasoline, gls.	.26½	....
Gasoline, export	.36¾	....
Hides, nat. sts.....	.30	.32½
Leather, h'l'k.	.56	.57
Iron, 2 North.....	44.25	31.00
Iron, 2 South.....	43.60	34.00
Tin Sts., spot.....	.60	.72
Cop., el., cash.....	18¾a19	14⅞a15
Lead. domes.	.09½	5.25

* * *

Institute of American Meat Packers announced in a bulletin:

The export trade of the packing industry, which is the largest industry in America, has practically ceased, the significance of this fact will be apparent when it is remembered that the United States normally exports a considerable part of its Federally inspected pork products. Exports of pork products in the year just closed exceeded two and a half billion pounds.

Since the last regular monthly review of the meat and live stock situation by the institute, there has been no adequate improvement in the foreign exchange situation. This accounts for the present practical cessation of pork exports. The exports ceased sometime ago. The following is a resume of the meat situation abroad:

United Kingdom—It is estimated that there are approximately 275,000,000 pounds of bacon in the United Kingdom and afloat in the hands of the British Ministry of Foods, at the present rate of consumption in the United Kingdom, to nearly seven months' supply.

It is further estimated that England is receiving supplies of English, Irish, Danish and Canadian bacon very nearly adequate to present consumption.

in Convenient Form

Germany—Agents in Germany of American packers who have meat there are unable to sell it and are, therefore, forced to put it into cold storage, since the German Government is unable to make purchases in acceptable currency.

Holland—Sales in Holland have practically ceased. The situation there may be gauged by the fact that in some quarters the return to America of lard and boxed pork now in Holland has been recommended.

Belgium—Sales have been very light.

France—Sales have stopped entirely. Present advices are that under present exchange conditions the trade will be very small, if any.

Scandinavia—It has been hoped that the decision of the Allied Council to allow the Russian co-operative societies to import would enable the consignments at Scandinavian points to be sold for shipment into Russia, but representatives at Copenhagen have cabled that there is practically no change in the situation and no boxed meats or lard are moving.

Italy—There has been no business with Italy for some time and the prospects of any developing are very poor.

A year ago steers brought \$20 at the Chicago yards, while last Saturday the same grade sold for \$11.50 to \$12.50 per cwt. Dressed beef prices ranged from \$9 to \$24 per hundred last week, an average of \$17.86. A year ago the average price was \$20.91.

* * *

Press reports state that Attorney General Palmer announced in Chicago, February 22, that retail meat dealers throughout the country must reduce their prices as wholesale price of meat declines or else submit their books to Federal agents for investigation of profits. Stated that instructions to serve notice on all retail meat dealers have been sent to every U. S. district attorney.

* * *

Building boom amounting to \$6,000,000,000 and lasting five years, expected to relieve shortage of dwelling to be launched in spring, according to announcement at Associated General Contractors' Convention at Chicago.

* * *

The value of construction in 151 cities last year was \$1,281,000,000, which is three times that of 1918 and 80 per cent in excess of that of 1917, also 20 per cent in excess of the hitherto record year, 1916, since when however, values of building material have gained 8 per cent while wages in some cases have doubled. Only seven cities of the 151 show a smaller value of building than in 1918.

BRADSTREET'S BUILDING (VALUE PERMITS)

	1920	1919
January (144)	\$118,527,277	\$20,959,14

Has an Agent

BRADSTREET'S BUSINESS FAILURES.

Charters filed during 1919 for new enterprises under the laws of principal States, with an authorized capital of \$100,000 or over, involved \$12,677,229,600, which is 414 per cent higher than figures for 1918.

	No.	Assets	Liabilities	No.	Assets	Liabilities	No.	Assets	Liabilities	No.	Assets	Liabilities	No.
February—	1920	1920	1920	1919	1919	1919	1918	1918	1918	1918	1918	1918	1918
New England	62	\$303,264	\$1,306,851	58	\$757,959	\$1,854,117	489	\$4,920,172	\$15,825,130	1919	\$11,468,534	28,098,065	1918
Middle	113	794,055	1,912,903	121	966,874	2,172,978	27	315,431	779,081	489	28,098,065	2,137	918
Western	110	822,964	1,855,399	106	1,883,100	8,587,734	20	294,500	714,000	1,059	2,137	918	2,137
Northwestern	36	2,289,172	4,996,980	57	354,767	1,539,264	63	504,013	1,255,252	1,059	2,137	918	2,137
Southern	76	1,248,231	1,960,331	93	688,451	1,073,261	..	..	..	1,059	2,137	918	2,137
Far-Western	29	66,843	215,275	54	269,021	597,776	..	..	..	1,059	2,137	918	2,137
Total, United States.....	426	\$5,524,529	\$12,247,739	489	\$4,920,172	\$15,825,130	..	..	..	1,059	2,137	918	2,137
New York City.....	43	187,800	589,810	27	315,431	779,081	..	..	..	1,059	2,137	918	2,137
Manhattan and Bronx.....	31	149,700	507,700	20	294,500	714,000	..	..	..	1,059	2,137	918	2,137
Canada	64	212,060	654,663	63	504,013	1,255,252	..	..	..	1,059	2,137	918	2,137
Newfoundland	1	10,000	25,000	..	..	..	..	..	..	1,059	2,137	918	2,137

The U. S. Supreme Court handed down a decision in the case of the United States against the United States Steel Corporation for violation of the Sherman Anti-Trust Act. The decision is made by a minority of the court and finds that the corporation is not a monopoly in violation of the law.

Chief Justice White, Associate Justices McKenna, Holmes and Van Devanter formed the majority that decided against the Government. Associate Justices Day, Pitney and Clarke were the minority and Justices Brandeis and McReynolds took no part in the decision or consideration of the case.

Elbert H. Gary, chairman of the United States Steel Corporation, says: "The decision of the Supreme Court will add considerably to the feeling of confidence in the value of property and in the opportunities of business enterprise."

* * *

Iron Trade Review says: Surveyed generally the iron and steel market appears to be better stabilized and prices to be under a greater measure of restraint. Here and there indications are present that producers are more disposed to look up business than to wait for it to seek them. Deliveries occasionally are tendered. The absorptive power of the market remains striking.

Offer of material actually available for quick shipment, however, usually finds a ready buyer at exceptional prices. Sentiment is strong and the final decree by the Supreme Court in dissolution proceedings against the Steel Corporation is recognized as a further constructive factor. A more cheerful outlook is presented over the transportation problem which has been severely harassing operations for some weeks although actual betterment in movement of cars and hence of raw and rolled material has not been pronounced and the situation is beginning to ravel on virtually all sides and embargoes at many points either are being lifted or modified.

* * *

Iron Age says: While buying by the railroads did not wait for their return to their owners on March 1, the steel trade has been busy in the past three days with new calculations of tonnage that will come to the mills in the next two months for railroad account. Estimates of early car contracts have gone as high as 100,000.

The favorable decision in the Steel Corporation suit though received with much satisfaction, has not been a market factor. The main consideration throughout the trade has been the probable effect on mill deliveries to non-railroad buyers, and on prices of the orders the railroads will place. There is a good deal of uncertainty as to the amount of equipment the roads can finance at once.

The buying of finished steel by the railroads for car repairs and other purposes will be considerable.

Pig iron production last month was at the highest rate since February, 1919. The total for the 29 days was 2,978,879 tons, or 102,720 tons per day, as against 3,015,181 tons in January, or 97,264 tons per day. In 1919 the February output was 105,006 tons per day.

On March 1 active blast furnaces numbered 304, a net gain of 14 in the past month.

POTENTIALS OF PRODUCTIVITY

THE METAL BAROMETER

	End of January		End of December	
	1920	1919	1919	1918
U. S. Steel orders, tons...	9,285,441	6,684,268	8,265,366	7,379,152
Daily pig iron cap., tons.	*102,720	*105,006	†97,264	†106,525

*End of February. †End of January.

PIG IRON PRODUCTION (GROSS TONS)

	1920	1919	1918
February	2,978,879	2,940,168	2,319,299
Two months	5,994,060	6,242,428	4,731,067

STEEL INGOT OUTPUT (GROSS TONS)

January, 1920	August, 1919	July, 1919	January, 1919
2,966,662	2,746,081	2,508,176	3,107,778

EXPORTS OF COPPER (POUNDS)

December, 1919	November, 1919	October, 1919	December, 1918
39,636,999	32,877,375	49,604,935	51,660,987

New enterprises in the petroleum industry during 1919 involved the formation in the United States of 1,629 companies with an aggregate authorized capitalization of \$3,786,006,000.

* * *

Preliminary estimates made by the United States Geological Survey indicate that the production of petroleum in the United States in 1919 was approximately 376,000,000 barrels, an increase of 20,000,000 barrels over the production in 1918.

* * *

George Otis Smith, director of the United States Geological Survey, in an article in the *National Geographic Magazine* on the oil situation says:

Economy must be the keynote, after a domestic consumption in 1918 which took more than one-twentieth of the unrecovered oil supply of the United States and nearly one-fifth of the oil stored above ground. It is believed that 40% of the available oil supply in the country has been used up in 60 years of production. American capital and engineering protected by the United States government should be encouraged in a world-wide search for a future oil supply.

Demand for petroleum products is increasing, and consumption of lubricating oils by pleasure cars, motor trucks and tractors is estimated at almost 200,000,000 gallons a year. The United States army peacetime requirements call for 88,000,000 gallons of gasoline, fuel oil, lubricating oil and kerosene a year. The army wants 74 times as much fuel oil as kerosene, yet output was only five times as much in 1919. New demand for the country's shipping program is equal to nearly one-half the domestic output of fuel oil and unless there is a decrease in other requirements, an increase in production of nearly 200,000,000 barrels of crude must be obtained.

* * *

CRUDE PETROLEUM MOVEMENT

Crude Petroleum Production

	Dec., 1919	Nov., 1919	Oct., 1919
Barrels	32,508,000	32,114,000	33,319,000

Crude Petroleum Consumption

	Dec., 1919	Nov., 1919	Oct., 1919
Barrels	35,087,000	35,974,000	34,989,000

Stocks of Crude Petroleum

	Dec., 1919	Nov., 1919	Oct., 1919
Barrels	129,022,000	131,601,000	135,461,000
	*	*	*

The Lamp, Standard Oil Co. of New Jersey, says:

The reason why gasoline has at last fallen in at the end of the line of advancing commodities is patent to any one who studies even casually the statistics of oil production in this country, namely, a shortage of raw materials.

In ten years oil companies have managed to double their output of crude oil but the consumption has galloped far ahead of them. The number of oil-burning vehicles alone increased fifteen times, while the production was being doubled, and every day finds a new use for petroleum derivatives. Even to keep pace with the demand has driven producers to the lower stratas of the oil areas and, consequently, enormously increased the costs to obtain the crude. The wells being drilled nowadays average seven hundred feet deeper than those put down a few years ago.

Oil wells, like any other mines, suffer from exhaustion. If the annual consumption of petroleum was fixed instead of, as it is, advancing by leaps and bounds, it would still be necessary to "bring in" every year a percentage of new wells to replace those which play out. While in the past ten years over 213,000 new wells were drilled in the United States, the actual increase, owing to the fact that 120,000 ceased to produce during that period, was less than half the number of wells drilled and at the end of the ten years there were just 240,000 wells in operation.

The figures are significant because they indicate that still new oil areas will have to be found, as they undoubtedly will be. From the existing wells there was produced last year, according to Government reports, 376,000,000 barrels of crude, and the consumption of this and the 55,000,000 barrels imported, was such that the year ended with total reserve stocks on hand of 130,000,000 barrels. Roughly, this is only a five months' supply for the American refineries and at the end of the year the average daily production of crude in the United States had fallen from 1,122,000 barrels in September to 1,060,000 barrels.

All this, of course, relates to native production alone. American crude produced east of the Rockies is essentially a refinable crude from which the preponderant percentage of the gasoline of our commerce is manufactured. The domestic production is supplemented by imports of considerable quantities of heavy gravity oil from Mexico which crude yields a small percentage of light products, but which is principally used to meet the fuel oil consumption of the country. In 1919 Mexico sent us the 55,000,000 barrels of this heavy gravity oil mentioned above, but the measure of our relief from this source was threatened in that year by the intrusion of salt water in what had been the most prolific of the Mexican producers and the suspension by President Carranza of the work of drilling new wells and replace them. Since then the Mexican Government has partially lifted its embargo on drilling operations by signifying its willingness to issue temporary drilling permits, but the situation in respect to the present and future supplies of crude oil, both domestic and foreign, for American refineries, sufficiently explains the present high price of crude, as well as the necessity of the advance in the price of gasoline.

* * *

International action by the League of Nations or by co-operation between the governments to lower the cost

Makes You Sure

of gasoline and other motor fuels and to prevent the exploitation of the petroleum shortage by huge combines is recommended in a report submitted to the British Board of Trade:

We are strongly of the opinion that the whole question of production prices and distribution of motor fuel is one which should engage the attention of the League of Nations, or otherwise should be made the subject of international agreement between the Governments of the principal importing nations with a view to co-operation in aiming at a fair level of price chargeable for so vital a necessity of modern industrial life.

The report finds that the Standard Oil Company and the Royal Dutch Shell combinations have such a grip on the main sources of supply, on pipe lines, tank steamships and distributing arrangements in all consuming countries that the setting up of any private competition is practically impossible. The report states that in view of these circumstances the only way to offset the tremendous power of these financial groups is by unified action by all the governments concerned to fix prices which allow reasonable profit and to stimulate production. Governments also are urged to encourage in every way possible the production of alcohol for generating power purposes.

We find that the present high prices of motor fuel are mainly due to the demand, which is tending to outstrip the world's present supply, and the advantages which are being taken of this tendency by powerful financial interests to raise prices.

The two main groups concerned are the Standard Oil and the Royal Dutch Shell.

The present tendency appears to be for supplies to come from the United States and Mexico, rather than from the Far East, owing mainly to the relative cost of freight.

The committee holds that it is impossible for the Government to get control of all production or distribution in the United Kingdom because it is now too late to make a move in this direction but as alcohol production is still in its infancy the Government should get control of it, thus preventing a future monopoly.—*Sun and New York Herald*.

* * *

Commenting on report of central committee of London Board of Trade which has been investigating oil prices, Standard Oil Co. of New Jersey says:

Export price recommended as fair would mean, at prevailing exchange, seven cents per gallon for gasoline f. o. b. New York. Cost of the various crudes when they reach seaboard ranges from 40% to 100% above proposed selling price for gasoline. If the published report is correct, the British committee proposes that the most valuable product from the crude should be sold f. o. b. New York at much less than cost of the raw material and this economic miracle is to be engineered through the League of Nations.

* * *

The National Automobile Chamber of Commerce announces that the production of motor vehicles in 1919

BUY WAR SAVINGS STAMPS

amounted to 1,891,929, the wholesale value of which was \$1,807,594,580.

NEW YORK STATE REGISTRATIONS

	1918	1919	Increase	P.C.
Pleasure	365,874	446,593	80,719	22
Omnibus	18,105	22,572	4,467	24
Trucks	75,309	97,346	22,037	24
Trailers	2,218	2,470	252	11
Dealers	2,252	2,681	629	28
Total	463,758	571,662	107,904	23
Chauffeurs	147,756	181,636	33,876	23
Motorcycles	28,597	28,561	(dec.) 36	
Receipts—1918, \$4,945,297; 1919, \$5,984,659.50; increase, \$1,039,362.				

* * *

The Geological Survey reports the bituminous coal output for first thirty-eight working days:

	Net Tons		Net Tons
1917.....	67,636,000	1919.....	57,183,000
1918.....	63,888,000	1920.....	68,996,000

* * *

Black Diamond says: Even if wages are settled and costs determined the uncertainty of the release from the government control of prices precludes any possibility of relief since government control is not likely to take care of the increased costs. Mines cannot continue operation under advancing costs and with present prices since such a continuation will mean financial ruin to 80% of the operations. Important action at Washington in regard to coal control may develop within the next two or three weeks.

There is no improvement either in car supply at the mines in various coal fields or the movement of loaded cars from the mines and through terminals. Production continues between 40% and 50%. Northwest is taking all the coal it can get, but since little is coming in by rail from the central western fields of free nature demand far exceeds supply. The coal fields in the Far West, particularly in Colorado are not suffering much from transportation difficulties other than the usual Winter handicaps. Kansas and Oklahoma are not so favorably situated. Generally through the entire country conditions now existing cannot be expected to improve materially before April 1. There is every indication the new coal year will find demand active, production below normal and prices on the ascendency.

* * *

MINE OUTPUT BEEHIVE COKE (NET TONS)

Feb. 21, 1920	Feb. 14, 1920	Feb. 7, 1920	Feb. 22, 1919
437,000	439,000	432,000	446,000
		1920	1919
Calendar year to date.....		3,285,000	3,810,000

COAL EXPORTS (TONS)

	December 1919	November 1919	October 1919	December 1918
Anthracite	345,402	320,719	433,742	292,014
Bituminous	341,064	724,650	2,934,686	1,140,455
Total	686,466	1,045,369	3,368,428	1,432,469

ESTIMATED PRODUCTION ANTHRACITE COAL WEEKLY

	Feb. 21, 1920	Feb. 14, 1920	Feb. 7, 1920	Feb. 22, 1919
Week	1,463,000	1,773,000	1,412,000	1,113,000
			1920	1919
Calendar year to date.....			12,346,000	11,671,000

They Helped Us

"LITTLE BABY BONDS"

PRODUCTION BITUMINOUS COAL (NET TONS)				
	Feb. 21, 1920	Feb. 14 1920	Feb. 7, 1920	Feb. 22, 1919
Week	9,580,000	10,471,000	10,010,000	7,722,000
			1920	1919
Calendar year to date.....			78,750,000	64,905,000
	*	*	*	

In a suit filed in the Supreme Court of the District of Columbia, a group of 600 coal men ask that the Director General of Railroads be restrained from continuing to interfere, in an illegal way, with the orderly distribution of coal.

One allegation in the bill is that "the President's control over coal as granted by the Lever law, has been delegated and re-delegated so many times that the coal industry is no longer regulation by the Government in the public interest."

The bill questions the legality of such frequent delegations of the President's powers.

A second allegation is that those who thus regulated coal in their own interest assumed still in their own interest to divest the owners of coal of their title to it.

The third allegation is that an organization—the Central Coal Committee—consisting of three women and two clerks, has tried to distribute about 2,000,000 tons of coal per day.

The real purpose of the suit is to compel the Director General of Railroads and his agents to allow those who buy coal to actually get the coal they have bought and paid for. As the matter now stands it is impossible for any coal man to make a sale to a retail dealer, a public utility company or to a factory and guarantee that the coal will be delivered.

* * *

The following table shows the percentage of domestic exports handled by the various merchant marines, exclusive of the German and Austrian, which figured only slightly in the returns:

SHARE OF TRADE HANDLED		1918	1919
Flag		%	%
British		48.4	34.4
American		18.7	36.85
Japanese		6.1	5.2
Norwegian		5.7	5.7
French		5.3	2.33
Italian		4.9	3.5
Danish		3.1	2.02
Spanish		1.9	1.45
Belgian		1.8	1.48
Dutch		0.9	2.37
		*	*

According to Lloyd's the total of all types of tonnage building at the beginning of this year was:

	Gross tons
Great Britain.....	2,994,249
United States.....	2,966,515
British lead.....	27,734

Atlantic Coast Shipbuilders' Association from the records of Lloyd's Register and the American Bureau of Shipping, the American aggregate is shown to be:

United States.....	3,126,202
Great Britain.....	2,994,249
American lead.....	131,953

* * *

Lloyd's gives the aggregate of steel shipping under construction for the two countries on December 31 last as:

Great Britain.....	2,991,597
United States.....	2,662,992
British lead.....	328,605

The following tabulation shows the exact status of the United States shipbuilding program:

	Keels Laid		Launched		Delivered	
	No.	D. W. T.	No.	D. W. T.	No.	D. W. T.
Contract steel	1,271	8,523,945	1,073	6,884,212	913	5,406,056
Requisition steel	382	2,658,866	370	2,546,465	363	2,498,796
Composite	18	63,000	18	63,000	18	63,000
Wood	592	1,896,300	581	1,871,900	539	1,816,650
Concrete	12	73,500	7	36,000	4	15,500
Total	2,275	13,226,611	2,049	11,401,578	1,837	10,198,002

Chairman Payne of the Shipping Board made statement before the Senate Committee on Commerce with reference to the operations of the Shipping Board Emergency Fleet Corporation, that as of January 31st last total appropriations had been \$3,181,451,000; total receipts, \$244,840,726; total expenditures, \$3,137,311,816; total available balance to date, \$288,979,910.

Our activities in shipbuilding together with the taking over of German and Austrian cargo tonnage have given the United States 8,700,917 deadweight tons of steel ships, 1,799,123 deadweight tons of wooden ships, 63,000 deadweight tons of composite and 10,000 tons of concrete ships, a total tonnage of 10,573,040 deadweight, excluding the 3,661,767 tons to be completed in 1920.

Henry M. Robinson, president of the First National Bank of Los Angeles and chairman of the bankers' committee on ship securities, told a meeting of bankers that the Shipping Board is committed to the policy of selling the Government-owned ships, which cost \$2,500,000,000 in round numbers and that in his opinion no more than \$1,800,000,000 would be realized. He said that the opinion in Administration circles was that the ships must be sold on a basis to permit private enterprise to handle them, and that the bankers must come to the assistance of the Shipping Board in financing the purchases from the Government.

* * *

The United States Shipping Board and the British Ministry of Shipping were each created as war-making agencies and in the scope of their powers and activities were similar. Each was a gigantic shipping concern. But there was one fundamental difference. Practically, the British Ministry of Shipping was a combine of British shipping interests, with governmental authority behind. Its power was from within. Eighty or ninety of the foremost shipping men in Great Britain volunteered their services. It was they who formed the policy of the Ministry of Shipping.

But the United States Shipping Board was made up of men, many of whom had never seen ships. It is difficult to decide which was the more wasteful, the patriotism of the "idealists," or the political tactics of the mere officeholders. Neither of these ever thought of the large number of American shipowners as men who might co-operate to develop a war-time shipping machine. On the contrary antagonism of American shipping interests was the rule during the war and after.

Now, the British Ministry of Shipping, which months ago relinquished most of its war-time powers, and now retains, as Sir Ernest Glover pointed out in an interview with a representative of *The Wall Street Journal*, only enough power to see that his country gets a sufficient supply of sugar and grain, is still praying to be relieved of all its powers, because no government can run ships as well as a private owner.

Where does the United States Shipping Board stand? No one knows where excepting in this particular: that it holds out theoretically the view that the American merchant marine ought to be owned privately. But it has done nothing toward that end. On the contrary—a fact which is being overlooked—it is continuing its activities as a governmental agency, which cannot help giving the impression that it expects to continue in existence for a decade at least. Like every government agency that Congress has ever created it is clinging to its existence after its usefulness has ceased.—*Wall Street Journal*.

* * *

John V. Farwell Co. says: Wholesale dry goods business continues to manifest strong demand, volume exceeding that of last year. Buyers have been in the market in increased numbers. It is very essential just now for every merchant to proceed with the conservative progressiveness. The buyer must discriminate and the way to do it is to come to market. Better grade of bedspreads continues scarce and are in good demand. Mills expect to issue bedspread prices for fall the latter part of this month.

Marshall Field & Co. report this week wholesale distribution of dry goods above the corresponding periods and more orders from road salesmen. Lines offered for Fall continue to be taken very freely. Extremely large numbers of customers visit the market. The advance sale of pile fabric coats attracted many merchants who bought with discriminating liberality. Collections continue very satisfactory.

* * *

COTTON CONSUMPTION (RUNNING BALES)

January, 1920	December, 1919	November, 1919	January, 1919
591,725	511,585	490,698	556,721

ACTIVE COTTON SPINDLES

	Jan. 31, 1920	Dec. 31, 1919	Jan. 31, 1919
Number	34,739,071	34,594,214	33,856,472

EXPORTS OF COTTON (BALES)

January, 1920	December, 1919	November, 1919	January, 1919
929,671	876,852	924,751	658,143

EXPORTS COTTON MANUFACTURES

December, 1919	November, 1919	October, 1919	December, 1918
\$25,977,298	\$27,252,532	\$25,774,639	\$18,488,102

* * *

Daniel J. Sully, one-time "Cotton King" predicts dollar a pound for the near future. He bases his opinion on increasing consumption, stationary production and the insatiable appetite of the boll weevil. Labor shortage he says will prevent greater acreage.

* * *

Commerce Monthly says: Although Great Britain is the largest exporter of cotton piece goods, the United States is the world's largest manufacturer and consumer.

TABLE A—AVERAGE ANNUAL PRODUCTION, CONSUMPTION, EXPORTS AND IMPORTS OF COTTON PIECE GOODS FROM 1910 TO 1913

(In Millions of Pounds)

Country :—	Production	Consump- tion	Exports	Imports
United States	1,900	1,812	99	11
Great Britain	1,400	304	1,120	24
Russia	678	657	30	9
Germany	650	579	88	17
China	604	819	....	215
British India	530	998	22	490
France	353	263	94	4
Japan	342	287	70	15
Italy	312	227	92	7
Austria-Hungary	295	271	27	3
Brazil	125	150	....	25
Spain	125	115	12	2
Netherlands	97	31	73	7
Belgium	77	75	12	10
Mexico	66	74	....	8
Canada	50	74	....	24
Turkey	25	140	1	116
Dutch East Indies.....	4	94	....	90
Argentina .....	....	66	....	66
Other countries	184	781	15	612
Total	7,817	7,817	1,755	1,755

TABLE B—EXPORTS OF COTTON PIECE GOODS FROM THE UNITED KINGDOM

UNITED KINGDOM							
	(In Millions of Yards)						
Country—	1913	1914	1915	1916	1917	1918	1919
British India.....	3,057	2,608	1,908	1,935	1,907	935	768
China (Including Hong Kong).....	717	578	375	377	310	216	304
Dutch East Indies..	305	270	231	257	249	165	124
Egypt	267	202	243	290	319	362	183
Turkey	361	271	...	...	...	...	...
Argentina	199	88	122	196	173	183	108
Australia	168	177	198	228	152	170	75
British W. Africa..	145	128	134	139	142	111	115
France	13	18	220	120	124	184	117
Other countries....	1,843	1,396	1,317	1,712	1,602	1,373	1,735
Total	7,075	5,736	4,748	5,254	4,978	3,699	3,529

TABLE C—IMPORTS OF COTTON PIECE GOODS INTO BRITISH INDIA

BRITISH INDEX					
(In Millions of Yards)					
Country—	1914	1915	1916	1917	1918
United Kingdom.....	3,104	2,378	2,049	1,786	1,430
Netherlands	25	21	21	14	6
Italy	23	10	13	14	7
United States	10	12	17	11	13
Japan	9	16	39	100	95
Other countries.....	26	9	9	9	5
Total	3,197	2,446	2,148	1,934	1,556

TABLE D—EXPORTS OF COTTON PIECE GOODS FROM THE UNITED STATES

	(In Millions of Yards)						
Country—	1913	1914	1915	1916	1917	1918	1919
Philippine Islands..	93	86	107	73	87	120	41
China	80	89	17	12	4	7	1
Aden	25	18	30	21	17	2	..
Canada	27	21	25	55	76	59	19
Mexico	3	4	6	40	74	108	15
Central America...	33	36	30	42	67	37	25
Porto Rico	33	41	41	28	44	45	16
Cuba	22	24	41	61	58	81	23
Haiti	20	23	11	28	25	17	10
Dominican Republic	13	10	15	15	21	18	6
British W. Indies..	10	16	16	18	19	22	9
Argentina	2	1	2	15	37	52	36
Chile	10	10	7	12	27	32	14
Colombia	26	15	15	34	32	14	8
Venezuela	4	5	5	12	20	5	3
United Kingdom...	2	2	15	24	6	1	†
Other countries....	84	61	62	96	125	115	58
Total	487	462	445	586	739	735	284

*First six months. †Less than 1,000,000 yards.

* * *

SEARS, ROEBUCK & CO. SALES.

	1920	1919	Increase
February	\$28,202,067	\$15,911,238	\$12,290,829
Two months	57,693,043	35,520,565	22,172,478

S. S. KRESGE CO. SALES.

	1920	1919	Changes
February	\$2,974,033	\$2,633,085 Inc.	\$340,948
Two months	6,025,618	5,246,644 Inc.	778,974

F. W. WOOLWORTH & COMPANY SALES.

	1920	1919
January	\$8,478,037	\$7,127,859
February	8,169,990	7,197,271

Total

Losses by fire in the United States and Canada:

	1918	1919	1920
January	\$37,575,100	\$29,446,325	\$37,012,750
February	20,688,155	26,891,950	26,631,500
Total	\$58,263,255	\$56,338,275	\$63,644,250

Money

Financial Chronicle says:

It is becoming more and more evident that the Federal Reserve authorities are unable to enforce the banking policy deemed so needful in the administration of the Federal Reserve Banking system at the moment or else they are not proceeding to enforce that policy with due vigor and determination. Among competent judges there is no difference of opinion as to the requirements of the hour. There has been over-speculation and price and credit inflation as well as currency inflation. The country must now get back to the normal from the abnormal—and this means that there must now be liquidation and loan contraction as well as a diminution in the outstanding currency issues, which latter have done so much to foster speculation and encourage and promote credit inflation which lies at the bottom of everything else.

Study of the weekly returns of the Federal Reserve banks would appear to justify the conclusion that outside of liquidation of the New York Stock Exchange no progress whatever is being made toward the desired end.

In face of all the warnings from Washington and from the various Reserve centres, no loan contraction whatever is taking place outside the portals of the Stock Exchange.

* * *

Frank A. Vanderlip, former president of the National City Bank, said the Federal Reserve system opened the door to the inflation of the country's credit and that the "brake" against inflation provided for in the act had not been used because of political considerations.

It was provided that when danger of inflation occurred rates for borrowing could be raised. Instead of acting on this authority granted it, the Treasury kept rates low and opened the door to great expansion. The Treasury took a circumscribed view of the financial situation keeping rates low for the purpose of enabling the Government to borrow at an advantage, but that it failed to understand the consequences of such a policy.

Because of inflation prices since 1914 have shown an advance of 234 per cent, with the result that the dollar will purchase but 43 cents worth of its value in 1914. While wealth has been taken from the people it has been scattered with a broad hand to the speculators and to the people who owned money.

In the war period the currency had increased 68 per cent, while the deposits in commercial banks increased 103 per cent, but there was no substantial increase in production.

The weakness of the Federal Reserve banking system, in summing up the result of the first five years of its operation, has been in its management. He declared that political influence had been injected into the system "at the top." In this connection he pointed out

Has an Agent in

that the Secretary of the Treasury was head of the Federal Reserve System and that the Comptroller of the Currency was ex-officio a member of the bank.

"In the present state of our expended credit it will be difficult to grant great foreign credit. It could be done if we changed our thriftless habits, if we stopped our extravagant expenditures and recognized the great duty and obligation that we have as a nation to the rest of the world."

* * *

Albert Strauss, vice-governor of Federal Reserve Board, has resigned, effective March 15, to enter private business.

* * *

The following is what the Federal Reserve Board has to say on the subject of "discount policy and credit control" in its annual report:

Owing to the abnormal ease of money throughout the year 1915 and during the greater part of the year 1916 the board had little opportunity to test the efficiency of what is conceived to be the correct discount policy.

The combined reserves of the 12 Federal Reserve Banks on Jan. 3, 1919, amounted to 51.2% of their liability for deposits and note issues. Due partly to the gold embargoes this percentage was well maintained during all the period of uncertainty which preceded the flotation of the Victory Loan and for some time thereafter, for not until July 9, after the gold embargo had been removed, did the reserves fall even fractionally below 50%. On Sept. 26 the reserves stood at 51%, after which date they show a steady and continuous decline to 44.8% on Dec. 26.

There is no longer an embargo on exports of gold nor any regulation or control of foreign exchange, with trifling exceptions, the controls set up over exports and imports, production and consumption, with a view of conserving the national resources and reducing waste, have practically disappeared. As a result the problems of the Federal Reserve System have been greatly increased, more particularly the problem of controlling credit.

The time has come for the system, in the interest of commerce and business, to exercise its power to regulate and control the credit situation.

The normal and traditional method of credit control has been the discount rate; its efficacy, however, presupposes normal conditions. An advance in rate operates under normal conditions not only to diminish the demand for credit by making certain activities unprofitable but as well to increase the supply of credit by attracting it from other centers of countries. The conditions that make this traditional control effective do not all exist at the present time. The United States stands almost alone as an important free gold market.

It should be recognized that credits extended to Europe create a demand for commodities that competes with the domestic demand and this competition is one of the potent causes of high prices. The demand for commodities from domestic as well as foreign sources is so far in excess of the supply that the increased cost of credit due to an advance in rates is absorbed in the price and speculation, anticipating large profits, is checked by any reasonable advance in rates of interest. These

conditions are all adverse to an easy and effective operation of credit control by means of discount rates.

The Board recommends to Congress that an additional power be granted it, by adding a proviso that each Federal Reserve Bank may, with the approval of the Federal Reserve Board, determine by uniform rule, applicable to all its member banks alike, the normal maximum rediscount line of each member bank, and that it may submit for the review and determination of the Federal Reserve Board graduated rates on an ascending scale, to apply equally and ratably to all its member banks rediscounting amounts in excess of the normal line so determined. In this way, in the opinion of the Board, it would be possible to reduce excessive borrowings of member banks, and to induce them to hold their own large borrowers in check without raising the basic rate. The Federal Reserve Banks would thus be provided with an effective method of dealing with credit expansion more nearly at the source than is now practicable, and without unnecessary hardship to banks and borrowers who are conducting their affairs within the bounds of moderation.

The expansion of credit set in motion by the war must be checked. Credit must be brought under effective control and its flow be once more regulated and governed with careful regard to the economic welfare of the country and the needs of its producing industries.

Deflation, however, merely for the sake of deflation, and a speedy return to "normal"—deflation merely for the sake of restoring security values and commodity prices to their pre-war levels without regard to other consequences—would be an insensate proceeding in the existing posture of national and world affairs.

Too rapid and too drastic deflation would defeat the very purpose of a well-regulated credit system by the needless unsettlement of mind it would produce and the disastrous reaction that such unsettlement would have upon productive industry.

Radical and drastic deflation is not, therefore, in contemplation, nor is a policy of further expansion. Either course would in the end lead only to disaster and must not be permitted to develop. The credit situation in the United States is at bottom safe and sound. Our economic and financial position is essentially strong. There need be no occasion for apprehension as to our ability as to effect the transition from wartime to peace-time conditions if reasonable safeguards against the abuse of credit are respected. There is, however, no need of precipitate action or extreme measures.

* * *

National Association of Credit Men's *Bulletin* says:

The rediscount rates adopted by Federal Reserve Board for New York, Boston and Philadelphia which follow increased rates made twice before during the last three months, should have profound significance for all business men. They must see that the need of more capital with which to transact business of all kinds is acute, that the financial institutions of the country have about reached the limit of their resources and that from now on the capital of the nation must all go into enterprises, and those only that will produce further capital.

It is clear that every business should handle its affairs in such manner that resort to the reservoir of credit on which are so many serious drafts be as little as possible. Credit must be checked with the thought in mind: "Will it liquidate itself on the terms set out? Is my customer conservative in

purchasing or is he speculating and piling up unnecessarily against continued shortage of goods? Is his inventory kept as low as reasonable working conditions permit? Is his present plant being utilized to the fullest extent under present conditions for production?"

Consolidated statement of the twelve Federal Reserve banks compares as follows:

Resources—	March 6, 1920	Year Ago
Total Gold Reserves.....	\$1,937,077,000	\$2,139,479,000
Legal Tender Notes, Silver, etc.....	117,553,000	65,983,000
Total Reserves	2,054,630,000	2,205,462,000
Total Bills on Hand.....	2,922,542,000	2,161,920,000
All Other Earning Assets.....	293,410,000	186,986,000
Total Earning Assets.....	3,215,952,000	2,348,116,000
All Other Resources.....	891,875,000	624,556,000
Total Resources	6,162,457,000	6,178,134,000
Liabilities—		
Total Gross Capital, Surplus and Deposits	2,652,097,000	2,401,287,000

Bank clearings at 148 cities for February and two months, 1920 and 1919:

	February 1920	February 1919	Two Months 1919
Clearing Houses			
Total, New England	\$1,570,582,553	\$1,330,361,492	\$2,998,341,699
Total, Middle	20,890,949,192	16,371,156,243	36,957,260,284
Total, Western	1,635,758,143	1,163,667,064	2,665,868,893
Total, Northwestern	3,239,306,024	2,685,657,823	5,909,030,719
Total, Southwestern	2,238,372,314	1,747,415,468	3,859,904,732
Total, Southern	1,758,434,050	1,318,929,196	3,008,934,353
Total, Far Western	1,573,907,315	1,097,277,450	2,486,278,550
Grand Total, United States.....	\$32,937,309,591	\$25,714,404,736	\$57,885,619,230
Outside New York.....	14,753,257,169	11,520,212,224	25,830,723,885

This is not a time to build up fixed capital but a time when every business must earnestly strive to increase the sum of free capital that the necessary work of the nation may go on.

	Federal Reserve Notes in actual circulation	\$3,030,010,000	\$2,488,537,000
	Federal Reserve Bank Notes in circulation net liabilities.....	229,167,000	136,591,000
	All Other Liabilities.....	40,097,000	20,763,000
	Total Liabilities	\$3,662,457,000	\$5,178,134,000
	Ratio of total reserves to net deposit and Federal Reserve note liabilities combined	42.6%	51.4%
	Ratio of gold reserves to Federal Reserve notes in circulation after setting aside 35 per cent. against net deposit liabilities.....	47.1%	63.3%

Senator Robert L. Owen had incorporated in the *Congressional Record* a letter which he addressed to President Wilson, in protest against the present high interest rates on stock collateral loans in New York. The letter reads in part:

Our manufacturers, our merchants, our business men are entitled to reliable, stable, reasonable rates of interest.

I call your attention to the unreasonable manner in which the interest rates on the stock collateral loans in New York have been fluctuating from normal to 25 and 30%, with the most unhappy consequences upon interest rates, injuriously affecting our commercial business throughout the United States.

These artificially unreasonable high rates of interest charged by the banks in the central cities on stock collateral call loans have had the effect of drawing to these cities from different parts of the country funds which ought to be exclusively used in commerce, and this process went to a point where recently the amount of stock collateral exchange loans on call or short time reached a volume in New York City of \$1,900,000,000 withdrawing for speculative purposes these credits which should be used in the industrial and commercial life of the country.

The investing and speculating public has been attracted to the stock exchange by the policy of narrow margins and low rates of interest; but after the public has taken on these speculative purchases the interest rates are raised to a high point and the margins are increased from 10% to 20 and 30%, with the effect of squeezing out the people who, in the language of the day, "can't hold on."

These loans which were \$1,900,000,000 sixty days ago, have now been reduced to \$1,000,000,000, and the stock market has gone through a very severe depreciation; and this is the second upheaval of this kind within two months.

The manufacturers, merchants and business men are entitled to stability. They cannot otherwise transact the business of the country with safety; and in their name and on their behalf I respectfully and very earnestly insist that the Government shall establish a policy which will give stability to interest rates, prevent these violent fluctuations, and lead to lower interest rates.

Will the question be asked, How can it be done? I venture to answer:

First. That the influence of the Comptroller of the Currency and of the Federal Reserve Board be exerted to require a limitation upon loans made by member banks or banks engaged in Inter-State Commerce, so that only a reasonable percentage of the deposits of such banks shall be permitted to be used for the accommodation of those who are buying stocks for speculative purposes.

Second. That a margin of not less than 25% shall be required in such transactions.

Third. That an interest rate not exceeding 8% shall be permitted in such transactions.

Fourth. That the Reserve Board shall charge a special rate of interest to those banks who are using the accommodations of the discount privileges with the Reserve Banks in excess of their rightful proportionate part of such accommodation, so that the normal discount rates of the Federal Reserve banks shall not exceed 4%, but the special rate for banks desiring to use more than their rightful proportion of the re-

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serves with the Reserve banks shall be at a progressively higher rate. In this way banks that put up Liberty Bonds for the purpose of getting more than their proportionate part and lending this money out on a very high rate of interest will find it less profitable to engage in such a policy.

The discount rates of the Federal Reserve Bank of Richmond, for example, effective January 23, 1920, included the following:

	15 days & under Per Cent.	16 to 90 days Per Cent.	91 days to 6 months Per Cent.
Member Banks:			
Secured by United States certificate of debt	4 $\frac{3}{4}$	...	...
Secured by Liberty Bonds.....	5 $\frac{1}{2}$	...	...
Secured by eligible paper.....	6	...	...
Secured by War Finance Corporation bonds	7	...	...
Rediscounts: Customers' notes—			
Secured by Liberty Bonds.....	5 $\frac{1}{2}$	5 $\frac{1}{2}$	...
Secured by U. S. Certificates of debt	4 $\frac{3}{4}$	4 $\frac{3}{4}$	...
Secured by War Finance Corp. bonds	7	7	...
Trade acceptances	6	6	...
Commercial paper	6	6	...
Agriculture or live-stock paper.....	6	6	6

You will observe from these discount rates that eligible paper—that is the notes of manufacturers, merchants and business men engaged in production and distribution—would be compelled to pay around 8% if the member bank is permitted any margin over and above what they themselves have to pay the Reserve Bank. This is true even on trade acceptances, which in London have a rate of 3 $\frac{1}{2}$ %. In other words, our manufacturers, merchants and business men engaged in production and distribution are compelled to pay by this policy twice as much as they do in London, charging the interest, of course, upon the cost of the goods and thus raising the cost of living. Against this policy I enter my resolute and solemn protest.

When the American people were engaged in the War the Treasury Department organized Liberty and Victory Loan drives, and every citizen was urged to buy these bonds: If necessary to sell his property and buy the bonds; to borrow money and buy the bonds. The bonds were sold at par. It was a patriotic duty to buy the bonds, but the high rates of interest which have resulted from the unrestrained speculation on the Stock Exchange, and the high rates of interest which the Reserve banks have established, have had the effect of having these bonds appear as a poor investment, and these bonds have shrunk so that in the case of the bonds, which have not the non-taxable feature, have fallen off in value almost 10%, inducing many persons who are poor and who borrowed money to carry these bonds to sell them at a loss, and many more will be induced to sell them at a loss, contrary to a wise and just public policy.

If the normal discount rate of the Federal Reserve banks were put at 4% and the banks were discouraged from abusing the privileges of the Reserve Banks for stock speculative purposes in the manner which I have pointed out, these bonds would come back to par, and they should be brought back to par. The people who bought these bonds ought not to suffer a loss, and the credit of the United States ought to be preserved by the policy which I have taken the liberty to suggest to you and to your administration.

The result of these speculative stock loans has been such that the New York Federal Reserve Bank has had its reserve very seriously impaired, so that the New York Reserve Bank

has been borrowing money on a large scale from other Reserve Banks who do not suffer from the strain.

There is no adequate reason why the rates of the Reserve Banks should not be uniform; why they ought to be higher in one part of the country and lower in another part of the country. The loans are as reliable in one part of the country as in another, and every part of the country is entitled to a uniform rate.

The Federal Reserve Banks were not established as money-making institutions, but for the purpose of giving stability and a reasonable stable interest to the productive enterprises of the nation.

The Federal Reserve Banks last year made a profit of about 100% of their capital, but this in no way measures the added expense on the cost of living, because the high rate of interest charged by the Federal Reserve banks is reflected upon loans and discounts of other banks, running into the billions, since it affects the interest rates in all parts of the country.

* * *

In interview by Edward Marshall in *Boston Post*, Thomas A. Edison says gold standard system as money basis is inadequate and not intelligent; in reality, absurd. Business of locking up ton or more of gold in treasury, or shuttle-cocking it on steamers to Europe and back again is childish, and suggests that values should be based on wholesale price, that is, production cost plus reasonable profit, of staples at point of their production. Prime necessities, of which there are about 300, should be used; all governments should consult with regard to them, and issue an index of result of their deliberations, holding whole world responsible for its maintenance as a standard. Business would then be done on basis guaranteed by this universally adopted index, practically equivalent to simple system of barter. Gold would function as now, but since it is commodity and fluctuates in price, its value would be determined in units of index.

* * *

IMPORTS OF GOLD			
	1920	1919	1918
January	\$12,017,551	\$2,113,217	\$4,404,254
EXPORTS OF GOLD			
	1920	1919	1918
January	\$47,758,038	\$3,396,098	\$3,746,244
EXPORTS OF SILVER			
	1920	1919	1918
January	\$24,627,687	\$19,615,236	\$6,627,704
IMPORTS OF SILVER			
	1920	1919	1918
January	\$8,863,251	\$5,576,281	\$5,997,455

* * *

The Federal Reserve Board announces the total imports of gold into the United States for the calendar year 1919 of \$76,534,046. The exports for the same period were \$368,144,545.

Official announcement has been made of the inauguration of one of the greatest gold import movements in history of United States. Present plans contemplate shipment from Europe, principally from England and France, of no less than \$250,000,000, over a number of months, to restore the credits of British and French securities outstanding in the United States and to create dollars in this market.

* * *

STOCK OF GOLD MONEY IN UNITED STATES

February 1, 1920	January 1, 1920	February 1, 1919
\$2,762,905,481	\$2,787,714,306	\$3,085,459,209

MONEY IN CIRCULATION

February 1, 1920	January 1, 1920	February 1, 1919
\$5,864,171,213	\$5,960,382,866	\$5,726,261,029
Per Capita \$54.94	Per Capita \$55.89	Per Capita \$53.58

* * *

The *Pall Mall Gazette* says that the purpose of H. P. Davison's visit to England is the establishment of a great money combination to finance national and private enterprises in Europe and an international trading company backed by J. P. Morgan & Co., and the Guaranty Trust Co.

A denial of the report was promptly made in London by Mr. Davison, and a member of J. P. Morgan & Co.

* * *

The drop in the foreign exchange market during the war is shown by a comparison of the value of the standard coins of the several European countries expressed in terms of American money. The table follows, giving the approximate values, disregarding fractions of 1 cent:

	1914	1920
Great Britain (pound).....	\$4.86	\$3.40
France (franc).....	.19	.07
Belgium (franc).....	.19	.07
Switzerland (franc).....	.19	.16
Italy (lira).....	.19	.05
Germany (mark).....	.24	.01
Austria (crown).....	.20	.03
Holland (florin).....	.40	.37
Spain (peseta).....	.19	.17
Greece (drachma).....	.19	.12

* * *

Frank A. Vanderlip says: There have been two causes contributing to the decline of foreign exchanges. In the first place, Europe has been forced to buy, chiefly from this country, an amount of food and raw material and to a less extent manufacturing articles vastly in excess of her normal requirements, and coincidentally has been unable to export anything like her normal volume. This has created adverse trade balances to an unexampled extent. Those adverse trade balances are, for example, 669,000,000 pounds in the case of Great Britain, and translating the Franc and Lira at parity \$4,919,000,000 for France and \$2,500,000,000 for Italy. It is of course impossible to correct those adverse balances by the shipment of gold, and there is no other way, the supply of goods being deficient, but to create credits.

With a recognition that there will in all probability be no further Government credits granted, it is possible to make one prediction with a great deal of certainty. Credits cannot be provided which will permit European countries this year to pile up such an adverse trade balance as they did in 1919. That must mean either an enormous increase in their exports to us, or a great decrease in our exports to them. The latter seems the highly probable alternative.

Americans are inclined to say rather glibly that the only cure for the situation is for Europe to go to work and produce more goods for exports; and for European Governments to cut down their expenditure and increase their taxation until their domestic budgets balance. Those are perfectly sound principles, but they are infinitely difficult of application. In many European countries, and particularly those in Central Europe, it is impossible for the people to go to work in industry when there is an almost complete lack of raw material upon which to perform industrial operations.

In all of them a shortage of food and fuel, the demoralization of all transportation facilities, and in the defeated countries a despair in regard to the weight of the indemnity, all combine to make a situation in which our advice to go to work, to economize and to submit to still greater taxation, must sound ironical.

There is a limit to human endurance, and if before the next harvest food pressure becomes as severe as it now looks as if it would, political revolt might readily develop.

The most important point for political revolt is Germany. There are 67,000,000 people in Germany. They are not at heart Bolshevik, but if they are subjected to sufficient economic pressure, if human wants become sufficiently acute, it might be entirely possible for revolution there to take on Bolshevik tendencies, and for revolutionary Germany to politically shake hands with Bolshevik Russia. If that were to occur, there would of course be other consequences involving other nations.

It is really idle to speculate as to what extent such a catastrophe as revolution in Central Europe might develop, but anyone attempting to forecast the future cannot properly close his eyes to the possibilities of such development.

There can never really be a sound, permanent peace in Europe until the great granary of Russia is opened. In the development of the industrial era, Europe increased her population until it became larger by 100,000,000 people than her own fields will feed. There must be a resumption of industrial activity and production of goods for export to exchange for food and raw materials, or the normal life of Europe cannot be resumed. The situation is thus intimately related to the Russian problem.

* * *

The well-known French economist, M. Edmond Thery, gives the following table as showing the comparative situation of the banks of issue in the various European belligerent countries, as regards their respective stocks of gold and the amount of their note issues.

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in July, 1914, and January, 1920 (in millions of francs):

	July, 1914		Jan., 1920	
Banks—	Gold	Note Issue	Gold	Note Issue
France	4,104	5,912	3,601	37,670
England	1,004	733	3,133	10,670
Italy	1,105	1,730	805	12,230
Russia	4,270	4,358	3,453	43,960
Roumania	154	414	495	4,040
Total	10,637	13,147	11,487	108,590
Percentage of gold against notes	80%		10%	
Germany	1,696	2,368	1,362	60,058
Austria-Hungary	1,300	2,260	244	55,713
Total	2,996	4,628	1,606	115,771
Percentage of gold against notes	65%		1.4%	
Grand Total	13,633	17,775	13,093	224,365
Percentage of gold against total note issue.....	76%		5.8%	

It should be noted that the figures in regard to Russia date back to October 29, 1917, since when, M. Thery points out, the ratio between gold and notes has probably undergone enormous modification. The figures given for the other States are drawn from official sources, and expressed as at par. M. Thery estimates that the gold reserves of all the belligerent nations would have been reduced to nothing by 1920 but for the fact that over 12,000,000,000 francs were secured, by various ingenious methods, from the stock of gold in the hands of the people of the various countries.

* * *

James S. Alexander, president National Bank of Commerce, writes in *Commerce Monthly*:

I in no sense mean to imply that the gold ratio is now down to a point that should unsettle public confidence or that any fixed ratio is advisable, but nevertheless it is approaching a point that is lower than experience shows best serves the credit requirements of the nation. Evidence of this is brought out by the following table made up on the basis of figures for June 30 each year or the nearest available date:

June 30—	Gold coin and Bullion	Money other than gold and checkable deposits (Millions)	Per cent of gold to other Money and checkable deposits
1913	\$1,866.6	\$10,373.2	18.0
1914	1,871.6	11,773.6	15.9
1915	1,973.3	11,538.9	17.1
1916	2,450.5	14,502.3	16.9
1917	3,019.0	17,554.2	17.2
1918	3,075.3	20,634.3	14.9
1919	3,112.3	24,492.2	12.7
Sept. 1, 1919....	2,944.7	25,804.5	11.4

It is my belief that the situation has reached a condition where further expansion should if possible be avoided in view of the non-liquid nature of a large volume of loans, today.

Under ordinary circumstances when business was normal the loan account revolved freely, since credit was used to finance transactions by which goods were purchased and held until sold, and then as collections came in the proceeds were im-

mediately applied to pay off the loans which were thus promptly self-liquidating. However, these are not ordinary times. There have been strikes and transportation difficulties that have retarded turnover; there have been great shipments of supplies to Europe on which collections have not yet been made. These and other factors have necessitated the renewal of many loans that would otherwise have been paid and the credit involved released to stimulate another cycle of production. The liquidity of the credit structure has thus been impaired and the amount of productive work it can accomplish impeded. This has produced, to cite only one of many factors, a demand for more credit, but as the figures show, the gold basis will not permit of much further credit expansion.

Unfortunately the desperate competitive conditions arising out of shortages in many lines of commodities have been used as a basis of speculation in those goods, and credit has been diverted to that unproductive end, being tied up in holding goods instead of producing and distributing them. Again, the situation has been further complicated by extravagant spending by the public which bid up prices of necessities, already made abnormally high by the drain levied upon us because of Europe's hampered productivity. Extravagance also stimulated unnecessary enterprises and an excess production of luxuries. All of this likewise added to the strain on credit.

Prudent banking at any time tends to grant credits more confidently to concerns producing and dealing in necessities, staples and established products with a stabilized market, rather than to concerns dealing in luxuries and specialties. This rule of prudence is particularly applicable to existing conditions.

The retrenchment, of course, would first fall upon luxuries and non-essentials, so that producers and sellers of these goods would be the foremost to be affected adversely by any such depression in business.

I believe today that it is the public, as well as the private, duty of banks to draw the line most carefully between loans for essential enterprises and those for non-essential employment, and to favor the former class in the interest of maintaining the strength of the general business situation.

The falling gold ratiocited above, and the credit stringency which we see as a result are sufficient warning that the time has come when this obligation of the banks must be taken most seriously.

I believe that the readjustment of the present strained credit situation must come from this direction and not in any effort to increase or maintain our supply of gold at the present volume as a support for more credit than actual essential business requires. We have more than our share of the world's gold now. Europe should not send us more, and we may expect some of our gold to flow out to other parts of the world where the balances of trade is against us. In the long run that should better our own business since it will serve to set up in the world more solvent and more active customers of this country.

Railroads

President Wilson signed the railroad bill returning the roads to their owners and to private operation.

In a proclamation the President vested in Director-General Hines virtually all the powers conferred upon the Executive by the bill.

Mr. Hines will also continue to exercise the duties of Director General which continue beyond the return of the roads to private control.

Principal provisions of bill are:

Federal control shall terminate at 12.01 a. m., March 1, 1920.

The President shall, as soon as practicable, after the termination of Federal control, adjust, settle, liquidate, and wind up all matters, including compensation and all questions and disputes of whatsoever nature, arising out of or incident to Federal control.

The rate-making section of the bill stipulates that the Interstate Commerce Commission in establishing rates which shall yield a return equal to $5\frac{1}{2}\%$ of the aggregate value of the carrier's property "shall give due consideration, among other things, to the transportation needs of the country and the necessity (under honest, efficient and economical management of existing transportation facilities) of enlarging such facilities in order to provide the people of the United States with adequate transportation."

The section further provides "that during the two years beginning March 1, 1920, the Commission shall take as such fair return sum equal to $5\frac{1}{2}\%$ of such aggregate value, but may in its discretion, add thereto a sum not exceeding one-half of 1% of such aggregate value to make provision in whole or in part for improvements, betterments or equipment, which according to the accounting system prescribed by the Commission, are chargeable to capital account."

Determination of the aggregate value of the property of the carrier for rate making purposes is left to the Commission with the provision that it shall give to the property investment account of the carriers only that consideration which it is entitled to under the law in establishing values for rate making purposes. When any carrier receives for any year a net railway operating income in excess of 6% of the value of its property, one-half of such excess goes to the carriers reserve fund while the rest goes to the Federal railroad contingent fund, which is to be used by the Commission in making loans to Railroads or for the purchase of transportation, equipment or facilities and leasing the same to carriers.

Government guarantee to railroads against a deficit during the first six months after the roads are turned back.

Appropriation of \$300,000,000 to be used as a revolving fund from which to make loans to carriers and pay claims growing out of Federal control. Unexpected funds now in the Railroad Administration's hands are also re-appropriated for that purpose.

Compulsory submission of labor disputes to a permanent Federal Board appointed by the President and composed of nine members equally divided between the employes, employers and the public. No provision is made, however, for enforcing the board's decision.

The bill directs the railway board of labor appeals which would be appointed by the President with the Senate's approval, and which would have central offices in Chicago, to consider and decide cases either certified to it by the lower boards or cases which the latter failed to hear. In addition the Federal Board can, "upon the appeal board's own motion if it is of the opinion that the dispute is likely substantially to interrupt commerce," investigate conditions surrounding the dispute and make a decision. Such decision, however under the bill must be concurred in by at least five members one of whom must be of the public group.

In determining the justness and reasonableness of wages and salaries or working conditions, the board shall, so far as applicable, take into consideration among other relevant circumstances:

- (1) The scale of wages paid for similar kinds of work in other industries.
- (2) The relation between wages and the cost of living.
- (3) The hazards of the employment.
- (4) The training and skill required.
- (5) The degree of responsibility.
- (6) The character and regularity of the employment, and
- (7) Inequalities of increases in wages or of treatment, the result of previous wage orders or adjustments.

Amendment of the long and short haul clause of the act to regulate commerce is provided to the extent that the commission is directed when permitting a carrier to charge less for a longer than a shorter haul the charge for the service to the more distant point shall be at least reasonably compensatory. The commission is also prohibited from permitting railroad to charge less for a longer than a shorter haul on account of water competition.

Permissive consolidations of the railroads into a limited number of systems is provided for in the bill. The commission is directed to prepare a comprehensive scheme of such consolidations in the interest of transportation as a whole.

In order to enable the commission to administer more efficiently Federal regulation, the bill, as agreed upon, greatly widens the Commission's powers and increases the membership from nine to eleven commissioners, with an increase from \$10,000 to \$12,000 in annual salary of the members.

The Interstate Commerce Commission's increased power include the following:

Supervision over the issuance of railroad securities, the Commission's approval being required before railroads can issue stock or bonds.

Establishment of minimum rail rates, the Commission up to this time having had only power to establish maximum rates. This power will enable it to prevent a carrier from conducting "cut throat" competition.

Authority to make such just and reasonable direction with respect to car service in times of emergency as will best promote the service in the public's interest.

Authority to compel the joint or common use of terminal facilities to give directions for preference or priority in transportation embargoes, or movement of traffic under permits.

Approval of new construction and of abandonment of railroads.

Complete control over railroads operations throughout the United States in "case of war or threatened war," the bill provides, would be centered in the Commission, which would

ve powers similar to those now exercised by the Railroad
administration.

As soon as practicable after March 1, 1920, the Commis-
on shall ascertain for every carrier, its deficit in railway
operating income, if any, and its railway operating income, if
any.

The President shall have the right, at all reasonable times
until the affairs of Federal control are concluded, to inspect
the property and records of all carriers whose railroads or
systems of transportation were at any time under Federal
control.

The President shall ascertain, the amount of indebtedness
of each carrier to the United States, which may exist at the
termination of Federal control, incurred for additions and
betterments made during Federal control and properly charge-
able to capital account; (2) the amount of indebtedness of such
carrier to the United States otherwise incurred; and (3) the
amount of the indebtedness of the United States to such car-
rier arising out of Federal control.

* * *

The property investment and the railway operating
income as stated by the Interstate Commerce Commis-
sion in its annual report for the years 1908 to 1918,
excluding switching and terminal companies, with the
addition of estimated figures for 1919, is shown in the
following table:

Year Ended—	Investment	Railway operating Income	Return on investment Per cent
June 30, 1908.....	\$13,213,766,540	\$645,680,235	4.89
1909.....	13,609,183,515	732,642,083	5.38
1910.....	14,557,816,099	826,466,756	5.68
1911.....	15,612,378,845	768,213,345	4.92
1912.....	16,004,744,966	751,266,806	4.69
1913.....	16,588,603,109	831,343,282	5.01
1914.....	17,153,785,568	705,883,489	4.12
1915.....	17,441,420,382	727,546,101	4.17
1916.....	17,689,425,438	1,043,017,290	5.90
Dec. 31, 1916.....	17,842,776,668	1,100,545,422	6.17
1917.....	18,574,297,873	986,819,181	5.31
1918.....	19,005,065,288	728,376,209	3.83
1919.....	.....	515,000,000	2.75

* * *

United States Supreme Court decides that the Inter-
state Commerce Commission in fixing the valuation of
the lines must take into consideration the present value
of right of ways and terminals instead of the original
cost.

The decision is of far-reaching importance, because
the valuation now being made by the commission proba-
bly will be used as the basis for making rates under the
Esch-Cummins bill. The effect of the decision is to
increase the Interstate Commerce Commission's valua-
tion of the roads, with the probable consequence of
higher rates.

* * *

Only 2¾ per cent was earned by the railroads of the
country on their total investment of \$19,000,000,000 in
1919, the second year of Government operation.

The figures show while railroad revenues passed the
\$5,000,000,000 mark for the first time in the country's

history, the high cost of labor and materials resulted in the net operating income of only \$515,000,000.

Under the provisions of the new Cummins-Esch railroad act, a net return of $5\frac{1}{2}$ per cent on the \$19,000,000,000 railroad investment will be fixed as the minimum of financial safety. This minimum is just double the $2\frac{3}{4}$ per cent of roads that were able to earn in 1919.

While the receipts from freight and passenger traffic in 1919 increased \$1,560,000,000, or 43 per cent, the payroll and the cost of coal and materials have risen \$2,100,000,000, or 81 per cent. The result is that the net operating income out of which interest and dividends are paid has been reduced by \$540,000,000, or more than one-half.

The net operating income for the year shows a deficit of \$390,000,000 as compared with the Government guarantee. Other Government losses and expenses in operating the transportation system, coupled with the 1918 deficit of \$215,000,000, bring the total loss for the two years above \$700,000,000, which will be increased before the roads are handed back to the companies, March 1.

* * *

Last November the statistical bureau of the Commerce Commission prepared for the use of Senator Kellogg estimates of the percentage of increase in freight rates which it would be necessary to allow for each of the larger traffic districts in order to bring the net operating income of all the roads in each up to 6 per cent on aggregate property account as stated by carriers' books. These estimates were based upon operating results of the first nine months of 1919. They assigned the following percentages of increase in freight rates:

New England, 28.06%; trunk line territory outside New England, 15.73%; average for all official classification territory roads (two preceding classes combined), 16.74%; Southern classification territory, 19.94%; transcontinental lines, 10.62%; Southwestern lines, 28.07%; other Western lines, 16.28%; all Western lines (three preceding classes combined), 15.04%; average for all roads in the country, 16.45%.

* * *

Brookmire's Annalist, in presenting a theoretical estimate of what the results should be in railroad earnings through the application of the provisions of the Cummins-Esch Railroad Bill, says:

In this analysis an effort has been made to avoid as far as possible the use of abnormal conditions as a basis for our calculation.

Perhaps the most misleading, and yet the most common basis for the calculation of probable future earnings, is the

1919 distribution of freight traffic. It is well known that during the control by the Railroad Administration a great deal of traffic was shifted from the channels it customarily would have followed prior to Government control. We believe the traffic distribution of a period prior to Government control is a more accurate index of what the distribution will be when the roads have again reverted to a fully competitive basis under private management.

On this assumption we have made for the purpose of this analysis a grouping of the roads into large competitive groups, or districts, and have determined what percentage of the total freight revenue of the groups fell to each individual road within each group in the three year period 1915-17. Each road was then assigned this percentage of the total 1919 freight revenue of the group. In cases where great expansion of some particular industry has added greatly to the freight revenue of any particular road within a group since 1915-17 its percentage of the 1919 freight revenue should of course be greater for 1919 than that given. We would call particular attention to the case of Pere Marquette whose percentage of freight revenue should undoubtedly be considerably greater than for the period of 1915-17 due to the great expansion of the automobile production in its territory.

The next step taken was to increase these theoretical freight earnings of 1919 by the percentage, as shown in the first column, which the statisticians of the Interstate Commerce Commission calculated would be necessary to raise the aggregate earnings to 6% on the property investment account in each district. By this process is derived the "adjusted net income for 1919" found in the second column.

The third column gives the net income required to earn 6% on the property investment of each road as compiled by the Interstate Commerce Commission for the Senate Commission of Railroads.

The bill provides that any net income above the 6% on the property investment shall be divided between the individual railroad and the Government. Consequently when the adjusted net income is greater than the 6% on the property investment the road is allowed to retain only half of the excess. After this adjustment has been made we derive the figures given in the fifth column under "Net left to road."

The latest figures available for the items "Other Income" and "Fixed Charges" for the road are those of 1918, so these figures had to be used in the calculation of the amount available for stock shown in the fifth column. These are the amounts used for the calculation of what would have been earned on the stocks in 1919 as shown in the last column.

This analysis is presented for the purpose of showing what is likely to be the comparative values of stocks under the provisions of the new legislation rather than the absolute values. It must however be kept in mind that of the various factors which have entered into the analysis, several are subject to change. The increases recommended by the statisticians of the Interstate Commerce Commission are not all likely to be applicable in practice, as in several cases competing roads are given different rates of increase for instance The Great Northern, North, Pacific and St. Paul railroads. The application of the proposed rates of increase would obviously result in a greater increase in traffic for the road which would be assigned the smaller increase in rates. With all the uncertainties which exist in the present situation there is every prospect that the next few years will be a period of speculative activity in railroad stocks such as has not been seen since the days of 1915-1916.

Stock—	Per cent Increase Allowed	Adjusted net income 1919 (000 omitted)	6 Per Cent on Property Account (000 omitted)	Net Left to Road (000 omitted)	Balance for Stock (000 omitted)	Per cent Dodge & Co. on Stock	From Clark, Dodge & Co. Figures
Atchison	10.62	53053	43979	48516	33486	15.10	13.68
Atl. C. Line.....	19.94	12864	11341	12052	9404	13.92	15.18
B. & O. pfd.....	15.73	18626	38003	18626	*185	*0.32	*4.92
Boston & Maine	28.06	14646	12694	13670	5924	15.00	40
Buff. Roch. & Pitts. com.....	15.73	5243	3986	4615	2779	26.47	
Cent. of Ga.	19.94	4968	4433	4701	2405	48.10	
Cent. of N. J.	15.73	10137	8720	9428	5804	21.15	6.25
Ches. & Ohio	15.73	18282	15835	17058	8664	13.80	12.00
Chic. & Alton pfd.....	16.28	*504	7419	*504	*5340	*26.16	0
C. B. & Q.	16.28	31398	30792	31095	23051	20.80	19.31
Chic. & E. Ill. pfd.....	15.73	*103	5056	*103	*1070	*9.68	0
Chic. Gt. West.	16.28	1778	4200	1778	*337	*0.77	4.14
C. M. & St. P. pfd.....	16.28	8490	36567	8490	*8775	*7.55	2.74
C. R. I. & Pac. pfd.....	16.28	10641	20269	10641	*274	*	*9.25
Chic. & Northwestern.....	16.28	15177	24377	15177	4782	3.24	7.57
Chic. St. P. Minn. & O.	16.28	3069	4825	3069	*268	*1.25	9.10
C. C. C. & St. L.	15.73	15534	11818	13678	8347	17.75	22.68
Col. & Southern.....	16.28	8773	4958	6865	4420	14.26	4.62
Del. & Hudson	15.73	10909	6607	8758	7050	16.59	9.40
D. L. & West.....	15.73	22448	13718	18033	16985	40.18	37.18
Denver & R. G.	16.28	9339	10815	9339	657	1.73	1.63
Erle	15.73	16610	23929	16610	3476	3.09	\$2.87
Gt. Northern	10.62	16666	27864	16666	12714	5.09	4.83
Hocking Valley	15.73	3291	2888	3089	2372	21.56	14.93
Ill. Cent.	19.94	28232	20720	24476	20691	18.93	13.49
K. C. South.	28.07	7937	4982	6459	3527	11.77	7.00
L. Erie & West.....	15.73	1767	2746	1767	370	3.13	4.06

Lehigh Valley	15.73	6909	13077	6909	2627	4.34	11.79
L. & N.	19.94	21890	17843	19867	17938	24.91	22.48
Me. Central pfd.	28.06	1443	3578	1443	*596	*19.87	0
Minn. & St. L.	16.28	1271	4228	1271	*570	*2.58	0
Minn. St. P. & St. S. M.	16.28	7128	11167	7128	3906	15.50	16.50
Mo. Kan. & Tex.	16.28	25652	10562	14825	3635	5.06	+2.10
Mo. Pac. pfd.	16.28	14825	20158	14825	3635	5.06	+2.23
Nash. Chatt. & St. L.	19.94	4653	2534	3594	3114	19.46	11.49
N. Y. Central	15.73	67453	58980	63217	30576	12.25	15.11
N. Y. Chic. St. L. 1st-2nd pfd.-com.	15.73	4876	4439	4657	2447	8.17	14.60
N. Y. N. H. & H.	28.07	21703	18510	20106	1508	0.96	4.13
N. Y. O. & West.	15.73	5325	5463	5325	4041	6.95	0
Norfolk & West.	15.73	35637	17355	26496	23531	18.71	13.11
Northern Pac.	10.62	25254	29920	25254	20925	8.44	6.73
Penn.	15.73	38326	62232	38326	14104	2.83	4.66
Pere Marq.	15.73	5596	6131	5596	1711	3.80	12.10
Phila. & Read.	15.73	11299	12770	11299	1130	2.66	11.36
St. L. San Fran. pfd.	16.28	12494	21060	12494	*1486	*19.81	+15.78
St. L. South West.	28.07	7684	4347	6016	3088	18.88	7.36
Seaboard Air Line pfd.	19.94	9168	11037	9168	2187	9.14	1.33
Southern Ry.	19.94	21611	29248	21611	5050	4.21	9.14
South. Pac.	10.62	74091	47788	60940	44345	16.04	9.48
Tex. & Pac.	28.07	7243	6916	7079	3113	8.03	12.00
Union Pac.	10.62	78293	36442	57327	50918	22.91	17.37
Wabash pfd. "A"	15.73	8804	12478	8804	2903	4.88	5.07
West Maryland 1st pfd.	15.73	3931	8264	3931	1472	8.30	0
West. Pac. pfd.	10.62	1151	5413	1151	*49	*	+4.84
Wheeling & L. Erie 6% pfd.	15.73	2758	4658	2758	323	3.16	4.80

*Deficit. †Common. ‡Preferred. §First Preferred.

Whether the private management of the railroads shall succeed or fail, must depend largely upon the Interstate Commerce Commission, says C. A. Prouty, director of the commission's Bureau of Valuation, in a memorandum filed with the commission upon the question of final value.

On March 1 private ownership entered upon its final test. If it succeeds it will become the permanent policy of this country. If it fails in the estimation of the public, government operation must result. Whether it succeeds or fails must depend largely upon this commission.

The question is one of revenue—how to give the carriers the necessary money and credit without unduly taxing the public. The carrier must have sufficient with which to pay its expenses and a fair return upon its property and it must have in addition sufficient credit to provide for the development of its facilities. If it cannot obtain the necessary money for this latter purpose, or if it must obtain that money at an extravagant figure, the public of necessity suffers.

The public has come to realize that the Government holds these carriers through its power to dictate their rates in the hollow of its hand, and the doubt as to what the policy of the Government is to be has been the disturbing factor. To remove that uncertainty the commission must determine the value of the operative property of each common carrier and adopt a method of keeping that valuation good from year to year. The Government, either Congress or the commission, must declare the return which is to be permitted upon that value.

The commission must have some theory which can be applied to all cases and it must have a theory or plan which is not only capable of stating a value today but which will permit of the correction of that value as the property is increased or diminished for the future.

In the making of this valuation, the commission acts under certain limitations, the most important of which is that it must accept and apply the decisions of the Supreme Court.

The thing which stands out most prominently in the reading of those opinions, and which is reiterated again and again and never departed from, is that you are to value the property which is at the time of the valuation being devoted by the carrier to the public use. It is not the franchise, for the carrier has not devoted its franchise to the use of the public. That is a contribution by the public for the purpose of permitting the carrier to devote its property to the public use.

The decisions of the same court make it equally plain that the commission is to determine the value of that property as of the date of its valuation, i. e., in its depreciated state. That has been clearly assumed by the court in all the cases before it and was expressly so ruled in the Knoxville Water case and the Minnesota rate cases. This being so, the commission will generally begin its inquiry by taking the figure which is shown in our inventory as cost of reproduction now less depreciation.

The Supreme Court has declared that just as depreciation must be subtracted, so appreciation must be added.

The commission must also add something on account of going concern value. In the Denver Water case the court expressly held that an addition for going concern should be made.

In attempting to analyze the concept defined as going concern value it has seemed to me that there were three elements, which might attach to and overlap one another in the same

"LITTLE BABY BONDS"

property. These may be designated commercial, early losses and structural.

Commercial—This kind of going value arises out of the successful operation of the property.

To recognize commercial value in determining the rate-making value would be unjust to the public for if the value be determined by capitalizing these advantages and a rate fixed upon that value, and if the carrier in the use of that rate also enjoys the benefits of these advantages, is there not a duplication?

In no one of the cases which have come before the United States Supreme Court has the claim that exchange value ought to determine the rate-making value been approved.

The whole proposition involves a legal absurdity. A rate-making value is to be stated for the purpose of determining a fair rate. Commercial value is determined by the rates actually in effect. If, therefore, commercial value is to determine rate-making value and rate-making value is to determine the rate, then the present rates must be right. The Supreme Court has several times in other connections pointed out the fallacy of this reasoning in a circle.

It is confidently believed that the commission must reject value as determined by earnings or exchange value as a measure of the rate-making value which is to be stated.

Early Losses—A second kind of going value is associated with early losses in the operation of the property.

It must be admitted that many railroads which ought to have been built and which have subsequently justified their building did not during the first years of their operation yield a proper return upon the investment. Unless the right of the owners of such property to recoup themselves in later years of prosperity for these early losses is recognized, it must be evident that private capital will not embark in the construction of railroads.

Unless a carrier justifies within a reasonable time its building and is able to make up the losses which it sustained in the early years of its operation, the owners should suffer the loss which ought not to be allowed to enhance the value of the property.

I am extremely reluctant to admit that an operating loss can ever add to the value of the property upon which the carrier is entitled to an earning for all time. Such losses might well be regarded as an asset of the value and the carrier permitted to amortize the same provided it can do so within a reasonable period to be fixed.

Structural Going Value—Before a railroad can be successfully run, its operating organization must be built up.

This kind of going value inheres, so to speak, in the property itself. This railroad, considered purely as an instrument for the obtaining and transacting of business, has this added element of value. This property has been put into motion. It has become an instrument of traffic. It has acquired a business and is handling that business. It has developed its organization for that purpose. It has established itself as a railroad in the estimation of the public. This kind of going value attaches to the property itself and is the same whether the exchange value of that property is great or small.

It has been our theory that in showing cost of reproduction the engineer should deal only with the property in existence. That he can see; about that he knows. If you allow him to go further and to speculate as to what may have been done or may not have been done and the cost of it you introduce into that figure an element of uncertainty which ought not to be there.

The state commissions have been inclined to insist that original cost should control. This, under the decisions of the Supreme Court, cannot be, since it is the present value of the property and not its original cost which you are to determine. Original cost is, however, one of the items for consideration.

Assuming that a value has been fixed as of a certain date, in what way is that value to be kept good? It has been often asserted that before this valuation could be completed it would be out of date and of no service, and unless some method can be devised by which the valuation can be kept up to date, by which we can know from year to year what the value of these properties are, the valuation itself will in fact, soon be worthless, or at least of diminished and diminishing account.

My own thought has been that when a value had once been determined as of a certain date, we might add to this value actual expenditures for additions and betterments and deduct actual cost of retirements.

For my own part I very strongly feel that carriers ought not be allowed any increment of value in case of their carrier lands. The right to use private land for the construction and maintenance of these avenues of public transportation is not property; it is more analogous to a franchise. There is little distinction between the right granted a carrier by a municipality to use a portion of its street and that acquired under its charter through the exercise of eminent domain. It is perhaps just to allow this increase in value up to the present time since it has been generally understood that this was to be done; but such an added value has no basis of equity and ought to be forbidden, probably by an act of Congress.

This war, with its consequent inflation of values, has introduced another element of great significance into this valuation. Our engineering prices are determined as of June 30, 1914. The cost of reproducing a railroad today would be at least 75 per cent more than in 1914 and the cost of equipping it would be two and one-half times as much. If reproduction cost is to govern, and if present values are to determine cost of reproduction, the value of the railroad property of this country has been doubled without the expenditure of a dollar upon the part of its owners.

It is evident that if these prices continue permanent, even to a modified extent, a question of tremendous importance is presented which may even involve a constitutional amendment, and upon that question I express no opinion whatever. If the commission were to make a valuation upon the basis of present prices and to establish rates which would yield a fair return upon that valuation, most unfortunate results must ensue.

A value should be determined as of the valuation date of each property, applying prices of 1914, or normal prices, and to that value should be added the actual expenditures made by the carrier for additions and betterments to its property. In that way the carrier will be given the benefit of higher prices in so far as it has been obliged to pay those prices in the improvement of its property.

Lands cannot be handled in this manner. If the carrier is to be allowed for the unearned increment in value of its operative lands, I see no way in which this can be arrived at with accuracy except by a new appraisal.

* * *

Percy R. Todd, Federal director of New England railroads, said:

Quite aside from our temporary weather conditions the present situation of the New England roads from a financial

standpoint is much worse than that of railroads of any other section. Our New England railroads under Government operation are earning nothing on their shares and have earned \$20,000,000 less than interest on their bonds. While railroads outside of New England have earned 73% of government guaranteed rental, New England roads have earned but 30% of the guarantee, leaving 70% deficit to be supplied by the government subsidy. Speaking of the railroad bill, he said: "Outside New England rates will need to be increased 10% to 15% to return 6%, while here we must have 40% higher rates. This will hurt New England manufacturers in competition with New York. In order to meet this problem we propose to ask the Interstate Commerce Commission to increase rates in the two nearest railroad territories slightly more than the amount actually needed to meet the 6% requirement and make the New England rate increase something less than the 40% that would otherwise be required, the railroads in the other territories to give us the difference in increased divisions on joint traffic."

* * *

New York Tribune study of rail situation says it may be several years before rails can hope to solve problems and restore normal operating conditions. States service will continue bad for some time after return to private ownership, as capital or credit will not be increased, nor equipment bettered. Roads are behind 50,000 cars and it will take equipment companies three years to catch up with equipment shortage. Only noticeable change may be increase in courtesy and service by employees and restoration of freight solicitor. Roads will again solicit business and competition is expected to be seen, as government routed freight in public's interest and so filled up some roads with lowpaying stuff and others with good-paying business. Writer says roads must get traffic on a growing basis or benefit little or nothing by safeguards granted under transportation act.

* * *

Return of roads to private ownership March 1 will clear way for dismissal of thousands of men added to payrolls since Government took over carriers in December, 1917, according to Washington dispatch. Expected that 100,000 men are to be sifted out. No cut in wages contemplated now, but saving to be made by reclassifying and paying men according to duties. Numbers of railroad employes was 1,703,684 in December, 1917. In fifteen months to March, 1919, number increased 139,846 to 1,843,530.

* * *

Wage demands presented by the fourteen principal organizations of railway employes, which it has been estimated would add from \$800,000,000 to \$1,000,000,000 to the payroll of the railroads if granted, were definitely refused by Director-General Hines, but at the request of the organizations his report on the matter and their arguments were referred to the President with his recommendations for a final decision.

* * *

In reply to a recent request of representatives of the railroad brotherhoods that he appoint a commission composed equally of employers' and employes' dele-

gates to consider wage demands made by the brotherhoods, President Wilson writes:

The bill having now become a law, the way is open for immediate action on the wage matter in accordance with the terms of the bill. Section 301 of the bill evidently contemplates that the carriers and employes should as suggested by you select representatives who will thus constitute a bi-partisan board for the purpose of attempting by conference to agree upon a solution of this wage problem.

In accordance with the assurance I gave last August, and repeated in substance in my letter of the 13th instant, I shall at once request the carriers and the employes to join in taking action. I believe such a step will go far toward clarifying and maturing the subject for final disposition.

* * *

Representatives of railroad workers have agreed to co-operate with the Government and the railroads in giving a trial of the new transportation act with its arbitration clauses, and President Wilson in letters to both the Association of Railway Executives and the heads of fifteen workers' organizations requested that they select representatives to sit on the bi-partisan wage board.

* * *

The issue for February 7 of *Labor*, the weekly newspaper published by the Plumb Plan League, carries on its first page an editorial in large type headed "Wanted; 200 Workers and Farmers in Congress," in which labor and the farmer are advised to begin to organize now and to mobilize their votes to accomplish this purpose. The editorial says there are nearly 90,000,000 wage earners and farmers in the United States, yet they have not more than a score of representatives in both branches of Congress, whereas the lawyers have 260 members and the bankers have many times their quota, as have the packers and food gamblers. The steel trust, the lumber trust and the mine owners are said to be more than adequately represented.

* * *

The average commodity value per ton of freight carried by the railroads in 1919 was \$119, as compared with \$56 in 1914. The average freight charge per ton was \$2.80 last year, as against \$2 in 1914. The percentage of the carrying charge to the value of a ton of freight was 2.4 per cent, as contrasted with 3.6 per cent in 1914. But the increase in the cost of the average ton of freight over that of 1914 has been \$63, while the increase in the freight charges per ton has been only 80 cents—and the relation of freight increase to cost increase has been only 1.3 per cent.

These statistics unquestionably prove the negligible influence which transportation costs exert on commodity prices, and they certainly sustain the contention that a fair increase in freight rates would not materially increase the cost of living.

In analyzing the blunders in urban transportation, Peter Witt, of Cleveland, former street commissioner and creator of the "Witt service-at-cost" scheme now in successful operation in Cleveland, says:

The first blunder, made jointly by the public and street railway companies, was the establishment of a unit rate of fare. This not only killed the profitable short haul traffic, but made impossible the collection of what was justly due from long distance rider.

The second blunder was in making the unit rate a universal rate, whether the town was large or small, densely populated or sparsely settled, flat or hilly, streets wide or narrow, car movement fast or slow, and ignoring entirely the most important factor of all—the riding habit—could it be made large or would it remain small.

The third blunder was the piling on by the public and acceptance by the companies of excise taxes, paving taxes, street cleaning and snow removal charges, car license fees, bridge tolls and numerous other impositions, all to be borne by the car rider.

That the conditions thus created could not go on indefinitely was known to all who took the trouble to give the problem a little thought. It was only a question of time when the end would come. The war hastened the day. The most important utility in our public life was laid low, because it could not meet the constantly rising costs while the charge for the service sold remained fixed. Dividends ceased; bond interest was defaulted; improvements stopped; rail ripping took place of track laying; and abandonment of service superseded the buying of new equipment.

The trouble with this industry is that it is trying to function by meeting a post-war outgo with a pre-war income. It cannot be done. It is no longer a question of paying dividends on "water" that confronts most of our street railways, but the desperate question of getting enough money into the fare boxes to fill the pay envelopes. It can be remedied only by permitting this industry, if it is to render the service for which it was organized, to charge a rate of fare which will make its income commensurate with its outgo.

Labor

Demands for a 60 per cent increase in wages for contract miners, \$2 a day raise for day men, and a six-hour day and a five-day week for men paid by the day or month, will be presented to the anthracite coal operators in New York, by the union representatives of the hard coal diggers. These demands were formulated at a convention of the anthracite miners at Wilkes-Barre last August and ratified by the national convention of the United Mine Workers of America in Cleveland in September.

* * *

Eleven of the thirteen leading industries reporting to the Bureau of Labor Statistics at Washington showed increases in wages in January ranging from 25 to 125

Stronger Than Ever

per cent over the same month for last year. The woolen industry showed the highest rate of increase. Ten of the thirteen industries showed an increase in the volume of employment ranging from 4 to 50 per cent.

* * *

Labor market could accommodate immigration of more than 1,000,000 according to opinions of members of National Association of Employment Managers. Shortage of unskilled labor in industrial centers east of Mississippi River is especially acute, according to *Tribune*.

* * *

Recent reports are that Italy has hundreds of thousands of men, including about 60,000 reservists, who are getting ready to return to this country. It is believed this condition will obtain to some extent in other European countries with the result that within a short time there may have been restored a good part of the inflow of immigration that was so important a factor in labor supply in past years.

* * *

The return of the carriers to their owners will involve the release of from 100,000 to 300,000 men, it is predicted. This will be no small factor in the country's labor supply. Inefficiency of men in some plants is aiding in the return of women workers. It is predicted that this movement will continue.

Market

FINANCIAL INDICATORS.

	Mar. 9, 1920	Last Yr.
Call money	7 a8	4¾a5
Time money	8 a9	5½
Commercial paper, choice names.....	6½a6¾	5¼a5½
New York bank surplus.....	\$2,699	\$49,911
British consols	49¾	58½
Bank of England rate.....	6	5
London discount	5¾a5⅞	3 17-32
Demand sterling	3.64¼	4.75¾
Money in London.....	3½	3⅓
French rentes	58.20	63.25
Bank of France rate.....	5	5
French exchange checks.....	13.67	5.48¾
Berlin exchange checks.....	\$.0128	....

FINANCIAL TRANSACTIONS.

	Year to Mar. 7, 1920	Same period last year
Sales of stocks, shares.....	44,977,055	28,781,801
Sales of bonds, par value.....	\$736,722,250	\$582,163,250
Average price of 50 stocks:		
High	92.18	76.13
Low	75.45	69.73
Average price of 40 bonds:		
High	72.51	79.01
Low	69.20	77.45
Average net yield of ten high-priced bonds	5.198%	4.840%
New security issues.....	\$209,398,000	\$326,535,000
Refunding	61,219,240	79,884,000

Properly Covers the

THE GENERAL MARKET: The one big "fly in the ointment" today is the credit situation. That there should have been no improvement in the bank reserves after the heavy liquidation of the past six weeks shows clearly that as fast as loanable funds are released from one demand they are absorbed by another. It stands to reason that loans on stock exchange collateral must have been materially reduced since the first of the year. Evidently, as rapid as liberated, they have been absorbed by commercial demand. This may be encouraging in a sense as denoting continued mercantile activity, but it certainly does not help the situation marketwise. No bull market was ever financed on high call money without time money available; true, there have been times when stocks advanced in the face of high money rates, but at least bank reserves were not drawn down to a point where there were practically no further loaning power, which is the situation today. Probably the great majority will agree that many stocks are intrinsically cheap, but with the investment funds of the country absorbed by heavy offerings of the past year, there is not the usual buying power from this source, while the present state of the banks makes it scarcely feasible to borrow money for this purpose.—*Hayden Stone Market Letter.*

* * *

A banking situation which cannot mend even in a dull season of year when the going is easy does not promise well for the busy seasons when the burdens are heavy. These busy seasons are marked by the "spring trade" and the "autumn boom." The spring trade occurs in March and April, and is slight as compared with the autumn boom; and yet it has several times been sufficient, in cases of a weak banking situation, to cause trouble.

A sharp break in commodity and goods prices and a reasonable decline in wages would do more than anything else in the world to restore money and banking to a strong position. But, according to the latest available averages, both prices and wages are around the top. It seems probable, however, that a decline, forced by the shortages of money and capital, is now about to set in. Meanwhile, our financial and industrial car is running along a high speed with a weak axle; and if we should hit a bump, something is liable to happen.—*Moody's Investors Service.*

* * *

Paul Clay writes in *Forbes Magazine*: Interest rates are persistently high for both call and time funds; The Federal Reserve Board is making tremendous efforts to reduce bank loans and restore cash reserves, and there is an ever growing number of shrewd business men, great and small, who are in fear of breakers ahead.

At heart all panics are alike in that they all result from the overstraining of credit.

It means simply borrowing more than we save, or buying more than we can pay for; and this is the whole of its meaning.

It is extravagance, spending in excess of earnings, or borrowing in excess of savings, that causes all panics.

In 1907, for example, mining, manufacturing and transportation companies were borrowing money in order to enlarge their business; retail dealers were borrowing in order to carry larger stocks of goods; and individuals were borrowing in order to buy automobiles, pianos and jewelry, or live in finer houses, or support more stylish appearances. Finally the time came when the banks and the capitalists and the persons of thrift had no more funds to lend.

BUY WAR SAVINGS STAMPS

The borrowers had such big obligations coming due that they could not meet them out of current earnings; and so they went to the banks and begged for more loans. The banks were obliged to refuse, because they did not have the money to lend; and the borrowers to save themselves began to sell stocks and bonds for what they would bring, and drawing out their deposits from national banks, trust companies and savings banks. The selling of securities caused a panic in the stock market, and the withdrawing of deposits so reduced bank reserves that the banks had to call in loans in order to save themselves. The borrowers then had to repay these loans, and searched frantically for somebody else from whom to borrow.

Today we as a nation are doing about all that can be done to produce panic. The 1919 aggregate output of our farms, factories, mines and lumber mills, owing to the high prices, was worth about \$53,009,000,000 as compared with \$22,457,327,300 in 1914. But the great increase in value consisted almost wholly of price inflation. For example our mineral output was worth about \$5,000,000,000 in 1919 against \$2,115,200,000 in 1914, even though the production of coal, which is the largest item in it, was only 630,463,000 tons in 1919 against 661,485,000 tons in 1913.

On June 30 last year the aggregate loans of all commercial banks in the United States were about \$38,350,000,000, as compared with \$15,339,500,000 in 1914. Here is an increase of \$23,010,000,000. Yet it is quite certain that the American people meantime did not save any such amount out of earnings. Our actual average saving for a long period prior to the war was less than 10 per cent. of total yearly income; and while there are no accurate statistics of the total income of the American people, it has been carefully estimated from the best available data as follows:

<i>Year</i>	<i>Amount</i>
1914.....	\$31,743,700,000
1915.....	34,442,500,000
1916.....	37,197,400,000
1917.....	40,482,800,000
1918.....	43,918,200,000
1919.....	47,353,500,000

For the whole period from the beginning of the war to June 30, 1919, upon the basis of a 10 per cent. annual saving, the aggregate savings would figure out about \$19,559,000,000 or \$3,451,000,000 less than the increase in bank loans.

Manifestly, what is needed to make the existing supply of loans or loanable funds go around is to reduce prices.

Prices have gone up about 100 per cent. since 1914, and if they were reduced say, 25 per cent., this would automatically release from use about \$10,000,000,000 of working capital or loanable funds, and thus solve the whole problem.

Loans cannot possibly be curtailed except through reducing prices, profits or wages.

If dealer and manufacturer and producer of raw materials will consent to somewhat lower prices even at the expense of shading profits a little, and if wage earners will accept lower wages as the cost of living declines, and if everyone will give up a moderate fraction of the increase in personal income attained during the past few years, then there will be no panic. The way to avoid such disasters is to keep our borrowing within our saving, our expenditures within our income, and our commodity and goods prices at reasonable levels.

Have Behind Them All American Resources

MARKET CONDITIONS

POLITICAL

Favorable

Governor Coolidge's stand for law and order overwhelmingly upheld by Massachusetts voters—Edge Law permitting incorporation of organizations to extend foreign credits—Department of Justice active in deporting Bolsheviks and other undesirable aliens—Germany's military power broken—U. S. now creditor nation of world—Budget legislation urged by President—Babson estimates Budget System would save U. S. \$2,000,000,000 in 1920—Reconstruction of Federal Taxes to make them less burdensome recommended by President Wilson—United States Supreme Court decides stock dividends not income—Amendment of LaFollette Act to place American Shipping on parity with foreign vessels proposed—Federal Reserve System surpasses in strength and in excellence any other Banking System in the world, says Sir Edward Holden—Wealth of United States \$250,000,000,000; national income \$50,000,000,000—U. S. now has 25 million investors, or 25% of population as compared with 400,000 or 1/2 of 1% of population before war—Government loans to Allies \$9,659,824,648—Oil Land Lease law throws open for lease 6,700,000 acres oil lands, 80,000,000 acres proven coal lands, 2,700,000 acres phosphate lands, 8,000,000 acres sodium and other mineral deposits.

Unfavorable

Treasury Department seriously disturbed over possible granting of soldier's bonuses involving from two to five billion dollars—States, Cities and Towns becoming less reliant, state rights not being asserted, many functions of local and State Governments being turned over to Federal Government—Indemnity clauses of peace treaty must undergo drastic revision as they probably cannot be fulfilled—Secretary of Labor Wilson, declares Communist Party of America advocates overthrow of Government by force or violence—Executive machinery at Washington not functioning due to President's condition—Resignations in State Departments said to be impairing its efficiency—Grave financial situation in Europe; abnormal exchange situation—Government's Coal strike settlement avoided fundamental issues—England advocating exports to countries paying cash at same time is getting credit from U. S. and so uses our credit to build up her foreign trade at our expense and loss to U. S. exporters—Great Britain and France when making loans get full interest, security and concessions, U. S. does not, but should—Government waste during the war—Socialistic elements are not beaten—Socialist win in Italy and Belgium elections—Russia—Mexico—Fiume—Congressional investigating Committee finds Department of Labor lax in deporting Bolsheviks—Senate Labor Committee report said "Behind steel strike was massed a considerable element of I. W. W.'s, Revolutionists, Russian Sovietists"—U. S. Acting Secretary of State Phillips states British Government paying expenses of American delegates to organization of League of Nations—President Chemical National Bank of New York says weakness in Federal Reserve System or improper administration reflected in renewal loan rates of 16 to 30%—Vanderlip claims Federal Reserve Bank under political control in that dominated by Treasury Department—Socializing of coal, oil and national highways advocated by former Senator Lewis—State of North Dakota inaugurates State ownership and operation of industries—Results of Government operations of railroads, express, telephones, telegraph, shipping—Government loss during two years of railroad operation \$605,000,000, 1919 \$390,000,000, 1918 \$215,000,000—War Department spent \$1,051,000,000 for aviation and only 213 American made planes of H-4 observation type reached front—European after-war situation—Grave crisis arising throughout the world due to food and fuel shortage—War costs to belligerents estimated 200 billion dollars—War debts and high taxes—Estimated Government expenses fiscal year 1921 \$4,865,000,000, greatest sum

ever asked of any Congress during peace times—Estimated U. S. expenditures 1919-20 \$6,649,000,000, Revenues; taxes \$4,-655,000,000, customs \$260,000,000, transportation, telegraph, etc. \$285,000,000, sales of public land \$260,000,000, interest on loans \$600,000,00, Liberty Loan installments \$1,032,000,000, total \$6,835,000,000—Interest charges U. S. debt \$1,017,500,000 as against \$1,010,812,000 for all Government purposes in 1913—National debts increased during the war; U. S. 2,000%; England 1,000%; France 350%; Russia 500%; Italy 350%; Germany 675%; Austria 550%—U. S. war bills raised by Taxation \$9,384,000,000, borrowed \$23,043,000,000, percentage of expenditure by taxation aside from loans to Allies 40%. England raised by Taxation \$14,320,000,000, borrowed \$35,341,000,000, percentage of expenditure raised by taxation 32.7%. France raised only insignificant sums for war purposes by taxation. Germany raised none at all and paid interest on certain war loans out of other loans—U. S. tax legislation crude, cumbersome, vexatious, unjust, complex and altogether unscientific, penalizes thrift and industry and leaves the waster and shirker untouched—Political leaders object to eliminating or reducing excess profits tax as it affects small number while increase in normal tax would affect 4,000,000 voters—Taxation of production arrests enterprise, 1918 less than 3% of tax from imports—*Inheritance Tax*: England 20%; United States 27½%—Paper circulation of principal countries of world increased since 1914 43½ billion dollars or 600%—France has multiplied her paper issue 5.4 times, England currency has multiplied 5.7 times, Italy 4 times, U. S. 3½ times, Norway 3.2 times, Japan 3 times, Sweden 2.6 times, Holland 2.2 times, Denmark 2.1 times, Switzerland 2 times, Spain 1.9 times. Reliable figures for Russia, Germany and Austria not published—Impoverishment of European nations—Sir George Paish says Europe needs \$35,000,000,000—Austria, Russia and all new states created by Peace Treaty in chaotic condition—Destruction of wealth and man power in Europe appalling—Paul M. Warburg, former Governor Federal Reserve Board declares United States must assist other nations of world in restoring themselves or whole world will fall into bankruptcy or communism—Proposals continue for cancellation of loans made by the United States of \$10,000,000,000 to Allies—R. P. Houston, M. P., suggests that debts of Allies including the United States be pooled and indemnities recovered from their enemies also be pooled—Immigration low with literacy test—U. S. Shipping Laws—United States Attorney General Palmer renders opinion that no rule of law is more established than that price fixing agreements are illegal and void—Clayton anti-trust law—McReynolds dissolution plans—Dissolved trusts subject to re-investigation—Fire Waste—*Emigration*, 1919, 258,000; 1918, 109,253; 1917, 64,823; *Immigration*, 1919, 249,000; 1918, 110,618; 1917, 152,959; shortage due to war 4,000,000.

CROPS

Favorable

Value of 1919 farm products 24 billion dollars, a harvest of wealth never equalled by rural U. S. exceeds value of 1918 crop by 2½ billion and 262% better than any year between 1910 and 1914—Makes Western and Southern States exceptionally prosperous—30% of United States population farmers—Farm machinery to overcome labor shortage.

Unfavorable

Ice covering winter wheat does considerable damage—Agriculture Department reports seriousness of reduced food production, caused by cost of high wages, high cost of farm equipment and pronounced movement from rural districts to cities—Cotton economists assert new crop will be produced at greatest cost in history—Cotton acreage reduction possible on account of labor scarcity—World production not kept up with consumption, may cause England who imports 65% of United States products to increase Egyptian production—England said to have given contract for dredging canals in Sind Province, India, where an irrigation project involving more than

five thousand miles of canals is afoot to irrigate lands to be used for growing cotton.

COMMERCIAL

Favorable

United States Steel Corporation wins Government anti-trust suit—Buyers becoming more conservative—Domestic exports in American ships, 1919, 38.85%, against 18.7% in 1918. British ships 34.4% in 1919 against 48.4% in 1918—Federal Trade Commission's policy apparently is to persecute business instead of protecting and developing—Mr. Chas. Schwab of Bethlehem Steel, predicts one of the greatest eras of prosperity in all history of the U. S.—Steel corporations unfilled tonnage—Scramble for Iron and Steel products, labor scarcity even during customary winter unemployment—Automobile manufacturers swamped with orders—Outcome of steel strike—New demands of 200,000,000 liberated people who have been given wage increases ranging from 100 to 300% have been added to buying class—Administration efforts to bring about industrial peace—Buying power on the part of the United States people—United States the world's reservoir of capital and raw material—Unusual opportunities for United States Commerce and industrial enterprises—In many lines demands exceed supply—New enterprises heavier than any time in the country's history—1919 new incorporations \$12,450,000,000 compared with \$2,399,749,600 in 1918, increase 519%—Imports 1919, \$3,980,000,000; Exports \$7,890,000,000; Balance \$3,910,000,000—Europe needs our raw materials, neutral and belligerent alike—England, Belgium, France, Germany, have made great strides in production and export—Edge Law provides for financing for European reconstruction by banking co-operation—Smallest number of failures in history—Productive capacity of our farms, factories, mines and forests unmatched by any two other countries—War Finance Corporation authorized to make loans of one billion dollars to American exporters for credit purposes—Webb Act permitting combination in foreign trade—United States building needs 1,000,000 homes, 450,000 factories, 6,000 hotels, 5,000 schools and public institutions, 120 major freight depots, 14,000 railroad stations and freight sheds, 20,000 churches and theatres—New building—Building, 1919, \$1,272,000,000 gain of 259% over 1918—Road building proceeding in many states—Mail order and 5 and 10-cent stores large increase in business—Bureau of Mines says alarming shortage of petroleum and its products—Underground reserves 40% exhausted—Demands for oil fuel for power transportation—Metal industries recovering from depression.

Unfavorable

Competition of European goods in American Markets—American imports January, 1920, increased \$261,000,000 over 1919 or more than 100%, excess of exports decreased, \$153,000,000 or 40%—British Exports increased 123.6%—British re-exports increased 458.4%, imports increased 36.3%—England reported in excellent condition with regard to raw materials and has silent embargo on non-essentials, balance of trade being brought to right side of ledger—English vessels built during war for after-war purposes as distinguished from American policy of quick construction for war purposes—England's preferential rates in contested trade territory result of policy becoming evident in vast expansion of foreign trade—New England manufacturers may be hurt by increased freight rates necessary for New England roads, when competing with manufacturers in other districts where roads are more prosperous and rate increase less—While England succeeded in having United States Treasury Dept. defer interest on debt she is engaged in spending huge portions of money borrowed in policy of gaining commercial and maritime supremacy throughout the world. England getting world's business. As mistress of the sea gathers Europe's goods cheap and sells at handsome profits. Conditions in Mexican Oil fields—Collections slow up—Dissolution of packers may result in people never again seeing as small a margin between the farmer and

the distributor as prevailed in the past—Economic laws may be trifled with or defeated for a time but will assert themselves in the end making readjustment inevitable—Foreign Exchange rate make exports impossible except indispensables—Great Britain pushing for Germany's former foreign trade—Margin of profit in business steadily reduced by the rising cost of production—Copper production, refinery output, 1919, 1,460,000,000 lbs.; 1918, 2,432,000,000; 1917, 2,428,000,000—Great Britain getting control of world's oil production—Pig Iron Production, 1919, 30,400,000 tons; 1918, 39,051,991—Production Bituminous Coal, 1919, 451,773,000 tons; 1918, 579,386,000 tons—Anthracite, 1919 (10 months), 75,810,000 tons; 1918, 87,223,000 tons—U. S. Wooden ships—Cost of American ship tonnage at 100% over normal prices will be handicap in competition with foreign built ships at low prices and cost of operation 50% over competitors—Great Britain now has 5% more shipping tonnage than before the war—British banks and industries combining into large units to operate cheaply and compete in foreign markets—Lord Inchcape predicts British ships will win back whole of its pre-war supremacy—British M. P. ship owner and operator after investigation says: Americans not interested in shipping except along seaboard, operating costs American ships 3 times British—French steel capacity increased during war—Cost of Living—Peak in high prices has probably been reached—A break in commodity prices with Federal Reserve Bank determination to bring about deflation is apparently due in primary markets shortly and will bring about failures where firms have overstocked at present cost—Cargoes of butter, eggs and potatoes from Denmark and Holland reached New York, conclusively shows prices too high here—Speculation has been running wild, in cotton, in real estate, in farmlands, in commodities and in goods of almost every description. A speculation orgy is often a forerunner of a sharp collapse, and the conclusion is that 1920 is likely to witness throughout the industrial world something similar to the drastic declines which have occurred on the stock exchanges—Reported that England has brought down cost of iron and is not importing—Last two quarters of year show trend of exports from food stuffs and manufactured articles to raw materials. Shows European reviving of industries, enabling them to export manufactured goods in competition with our markets. At the same time decrease in exports of our food stuffs will re-act on purchasing power of our agricultural class—Congress cut appropriations for Department of Commerce for foreign trade from \$1,658,000 to \$490,000, at a time when Europe is pushing to regain world trade—Low bank funds forecasts commodity liquidation—While experience shows large-scale production and co-operation is wise, Sherman anti-trust law prohibits it—Wages in eight leading industries in the United States increased from 74% in 1914 to 112% in 1919, while living costs increased during the period 61.3%—Fire losses, United States.

MONEY

Favorable

Deflation necessary—Depositors in United States National banks increased 10,519,832 in nine years. Total depositors 18,240,300. Individual deposits increased \$8,500,000,000, per capita deposits \$689, an increase of \$38 in nine years—Bank clearings United States, 1919, \$417,304,000,000; 1918, \$332,350,688,000 United States circulation per capita \$56.05—Notwithstanding the absorption of 25 billion of war loans and W. S. S. Bank deposits are increasing—America a creditor nation for the first time in its history—Government thrift campaign—Reserve bank appoints foreign agents—Wonderful financial condition of United States—New York position in world financing—We own more of our own securities than ever before—Means increased interest to United States holders—Foreign held railroad securities liquidated since 1914, over \$1,779,000,000 par or 65.78%—Total securities probably over 2½ billion—Foreign private loans since 1914, \$4,000,000,000—Government foreign credits—Federal Reserve Bank System.

Unfavorable

Treasury Department seriously disturbed over possible granting of soldiers' bonuses involving from 2 to 5 billion dollars—Federal Reserve Banks increase the purchase of commercial bills while brokers loans are being reduced—Reserve still diminishing in spite of fact that this is season for relatively easy money and in spite of strenuous effort toward curbing security speculations—European nations with enormous loans and borrowers have money at 5 and 6% while United States, a loaning nation and in relatively strong financial condition have much higher rates. Is a financial paradox—World financial structures weakened, stocks exhausted, productive forces impaired, inhabitants agitated by political unrest and nation resorting to artificial stimulation through ingenious devices in which stability has disappeared and lack of policy to work and save—Credit has been expanded to such an extent that the reserves carried by the Federal Reserve Banks have been pulled down to a level which suggests caution, a fact reflected by the raising of discount rates in New York and elsewhere—President Chemical National Bank of New York says weakness in Federal Reserve System or improper administration reflected in renewal loan rates 16 to 30%—Vanderlip claims Federal Reserve Bank under political control in that dominated by Treasury Department—Monetary stringency such as has lately been experienced often is a prelude to the ending of a business boom—Money rates in opinion of leading bankers will be high during 1920—Gold to Far East \$90,000,000 per month. Japan said to have \$500,000,000 gold balance in United States. Import balance 8 months was \$142,000,000 Treasury Department reports show gold stock \$2,872,000,000 against \$3,079,000,000 a year ago—Exports of gold 9 months \$225,921,523; imports of gold \$56,253,645; loss \$169,667,878—Supply of loanable funds—Loans New York Clearing House Institutions—Sir George Paish, of British Treasury, declares greatest existing evil is enormous amount of paper money which must be reduced if Europe is to be saved from bankruptcy—France has multiplied her paper issue 5.4 times, England currency has multiplied 5.7 times, Italy 4 times, United States $3\frac{1}{2}$ times, Norway 3.2 times, Japan 3 times, Sweden 2.6 times, Holland 2.2 times, Denmark 2.1 times, Switzerland 2 times, Spain 1.9 times. Reliable figures for Russia, Germany and Austria not published—Paper circulation of principal countries of world increased since 1914 $43\frac{1}{2}$ billion dollars or 600%—Government debt of European belligerents—Financial conditions strained through war necessities throughout the world—Europe's need for new capital for next few years will be serious—Sir George Paish says Europe needs \$35,000,000,000—Foreign discount rates—Bank of England reserves—Depositors in U. S. Postal Savings; 41% American born owning 28% of money on deposit the rest belonging to foreigners—American Savings less than 10% of wealth of country.

RAILROADS

Favorable.

United States Supreme Court decides in favor of railroads on valuation of properties for rate-making purposes—Railroads return to private operation March 1, 1920, under Esch-Cummins Law, which is considered an improvement over former railroad legislation—United States Supreme Court declares Adamson Law limits rights of employes to strike.

Unfavorable

Will probably take a year or two for railroads to solve problems and restore normal operating conditions—Railroads two or three years behind in equipment—Provisions in railroad bill confiscating $\frac{1}{2}$ of earnings above 6% of property values is Socialistic, arbitrarily taking earnings of efficiency, not as surtax but in order to distribute it among incompetents and shortsighted—Plumb Plan League still working for Government ownership by direct appeal—Plumb Plan to take possession of railroads, one of most vital industries of America, for

the benefit of a single class and to assured detriment of all others, discloses wide spread of Socialistic thought in this country—The number of tons of railway freight moved one mile per employe in July, 1917, was about 21,000; in July, 1919, only 18,500, showing serious falling off in production per employe. This is also true in the industrial field and gravely aggravates the outlook—Director General of Railroads says, Under Government control has used more employes paying higher wages shorter hours, July, 1919, increase of 11.2% in employes from December, 1917, working hours decreased 3.9% average compensation increased 45.3%—Railroad maintenance, equipment, etc., not up to standard under Government control—Freight car tonnage far below normal requirements. Over 100,000 cars of 45 tons capacity below normal—Another increase in wages of \$65,000,000 makes total since Government operation of \$910,000,000—Private initiative, efficiency, resourcefulness, with financial responsibility destroyed by Government control or ownership—Cost of materials, fuel and labor, causing constant rise in transportation costs—Every motor car or truck produced is a competitor or possible competitor of the railroads; will probably add this year two million cars to over six million now in use—High freight rates cause water ways development—Ocean freight rates (especially through the Panama Canal)—will be reduced rapidly within the next few years and resist ability of coastwise and transcontinental roads to increased rates—Cost of capital—Attorney General in annual report recommends prohibiting railroads from ownership or controlling interest in any producing or trading companies—Mileage has not grown with country.

LABOR

Favorable

Outcome of steel strike—Strong public condemnation of radical agitators has been effective in restoring saner councils—Labor situation improving—There have been reports of laying off of a number of workmen—Co-operation of Labor and Labor management being urged through Industrial conferences—Industrial Conference votes against collateral bargaining to prevent closed shops—Emigration toward America is in process—Bolshevism being controlled—Open shop wins in Supreme Court, injunctions upheld—United States Supreme Court hold railroad employes in the nature of public servants and Adamson Law limits right to strike.

Unfavorable

Babson investigation reports will be 5 years before United States has a net immigration as large as pre-war years—Unit of measure in determining wages incorrect, pay being fixed on basis of time served instead of work done—President's coal strike settlement in line with President's "New Industrial Order" places strike leaders in position to control their own industry—Closed shop breeds inefficiency, crushes ambition and retards development—Secretary of Commerce Redfield, says Labor is responsible for large part of industrial unrest and has lost heavily in public esteem—Radical and Socialistic labor leaders—Labor unions and organizations of Farmers exempt from anti-trust laws—World-wide labor agitation—Falling off of efficiency of labor in almost all important industries alarming—Emigration from New York exceeds 1,000 daily, emigrants carrying with them an average of \$2,000—Secretary of Labor Wilson estimates shortage of labor four million, after peace is signed and return to normal conditions—It is estimated by one of the world's leading eugenic authorities that it will take Germany fifteen years, France sixty-five years, England ten years, and Italy thirty years to recuperate their man forces—Shifting of population in Southern States estimated 500,000 Negroes went North due to war wages in ammunition factories, etc.—As a result colored labor remaining has become difficult to contend with—Literacy test new immigration law—Wages increased and working hours reduced—I. W. W.

ERNEST STURM,

Financial Secretary.



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